

# **Pre Audit Statement of Accounts 2010/2011**



**Wyre Forest** District Council



**WYRE FOREST DISTRICT COUNCIL**

**STATEMENT OF ACCOUNTS 2010/11**

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## **WYRE FOREST DISTRICT COUNCIL**

### **STATEMENT OF ACCOUNTS 2010/11**

#### **1. FINANCIAL FOREWORD**

Welcome to the Council's Statement of Accounts for the year ended 31<sup>st</sup> March 2011. These statements detail the financial position of the Council for the last year along with accompanying notes and explanations of the main issues affecting the Council.

The Council continues with its strong financial performance and due to decisions to reduce expenditure in previous years is in a relatively healthy position in meeting the challenges of reduced government funding. During 2010/11 the Council has been able to make a contribution to reserves; however, over the next four years the Council is expecting government support to reduce by around 40%. These valuable reserves will enable the Council to make the necessary adjustments to spending in a planned manner rather than having to make knee-jerk decisions.

To ensure that the Council is ready to meet future challenges a number of initiatives are currently being undertaken:

#### **Wyre Forest Forward and Corporate Plan**

Every year the Council carefully considers what services it can afford to provide, however this new project will fundamentally review all of the Council's services. This review will be informed through public consultation and understanding our community's needs, it will also challenge how services are currently delivered. This review is being supplemented by the new Corporate Plan. The Council needs to make significant reductions in expenditure; however, this will be delivered in a planned and strategic approach. Further details are available on the Council's web-site.

#### **Shared Services**

During 2010/11 the Council joined the Worcestershire Regulatory Shared Service. This service provides all of the Environmental Health, Licensing and Trading Standards services across Worcestershire. Through joining up the operations of all of the Districts and the County Council, savings of around 20% have been achieved and through further transformational change it is expected that further savings will be delivered in future years.

Other areas where the Council has either joined or is leading a shared service approach include, Human Resources, Payroll, Procurement, Economic Development and Regeneration and Building Control. Options are also currently being examined for Waste & Recycling and the Revenues & Benefits service. Further details will be presented to the Cabinet in the coming months.

#### **New Headquarters**

The Council is using the proceeds of the sale of assets to build a New Headquarters with a view of saving around £500,000 per annum in rental and other premises costs. The Council has appointed contractors and work commenced in early June 2011, the anticipated completion date for the project is 15<sup>th</sup> June 2012.

To support the move to the New Headquarters the Council is also streamlining processes and procedures along with restructuring administrative needs. Three work streams are progressing seeking to maximise the flexibility of the workforce and to ensure that new technology is utilised. The administrative review is part of this process and is contributing £200,000 per annum of savings to help preserve front line services.

## WYRE FOREST DISTRICT COUNCIL

### STATEMENT OF ACCOUNTS 2010/11

#### 1. FINANCIAL FOREWORD (continued)

##### **Service Transformation**

During the last year the Council has made a number of changes in the method of delivering services, most significantly in relation to Waste and Recycling. The Council has improved the range of items that can be recycled and implemented a "paid for" garden waste service. These changes have resulted in operational savings to the Council of £300,000 per annum, whilst also resulting in the recycling rate increasing from 28% to 40% for the district area.

The Council has also implemented new services such as the MOT service at the Green Street depot, and has restructured areas such as Street Scene and Parking Services.

Areas that are currently being reviewed include the future for the Council's three Leisure Centres, this area is currently being scrutinised and initial recommendations have been considered by the Cabinet.

##### **Icelandic Investments**

In addition to the transformation programme and service reviews mentioned above the Council has also been actively seeking the recovery of the deposits with "Icelandic Banks". The Council had £9m invested in these banks and has been working over the last two and half years to secure their recovery. Full details are provided within the Financial Instruments section of these statements. To date, over £3.5 million has already been recovered and the Council is confident that overall returns will be close to 85%.

The Council's position was boosted in April 2011 when we were successful in a case in the Icelandic Courts which confirmed the Council's "priority" status. This ruling results in significantly higher returns for the Council. Although this decision has been appealed, we remain confident we will be successful.

It must be noted however, that the recovery of these investments will continue to take more years to come. At present the final settlements are expected in 2017/18, however, the position is regularly monitored with reports to Council, Cabinet and the Scrutiny Committee.

##### **Financial Strategy**

As highlighted above, these remain challenging times for the Council as we come to grips with an environment where funds will be reducing. The Financial Strategy 2011/14 approved by Council in February 2011 provides a stable financial platform to move forward with. For the coming year, Council approved a freeze in Council Tax which released an additional grant from Government, however, in each of the following two years annual increases of 2.5% have been assumed, along with a 40% reduction in Government Grant over the next four years.

It should be noted that the Council is still debt free, however, as part of the Financial Strategy it is recognised that the Council will be borrowing to fund assets such as the new Crematorium and ICT infrastructure.

If you have any queries relating to this foreword or the rest of the Statement of Accounts please do not hesitate in contact us.



David Buckland MAAT CPFA  
Director of Resources  
28<sup>th</sup> June 2011



Nathan Desmond  
Cabinet Member for Resources & Transformation

## **WYRE FOREST DISTRICT COUNCIL**

### **STATEMENT OF ACCOUNTS 2010/11**

#### **2. EXPLANATORY FOREWORD**

This foreword provides a brief explanation of the financial aspects of the Council's activities during the last year and draws attention to the main characteristics of the Council's financial position.

The Statement of Accounts for 2010/11 was approved by the Director of Resources and presented to the Council's Audit Committee on 29<sup>th</sup> June 2011, Local Authorities are required to approve their 2010/11 Statement of Accounts by 30<sup>th</sup> June 2011.

The accounts present a true and fair financial position of Wyre Forest District Council for the financial year ended 31<sup>st</sup> March 2011. Up to date and proper accounting records have been maintained in accordance with the accounting policies outlined in this document (see page 20). Compliance for the first time with the statutory International Financial Reporting Standards (IFRS) reporting requirements represents a significant change in the compilation and presentation of this Statement of Accounts. All relevant prior year comparator figures have been restated to reflect these changes, with additional 1<sup>st</sup> April 2009 and 31<sup>st</sup> March 2010 restatements, subject to scrutiny as part of the external audit process.

The Chief Executive and Leader of the Council are required to confirm that the Council's governance arrangements, reflected in the Annual Governance Statement, can be relied upon to produce an accurate Statement of Accounts (see page 10).

The Council's accounts for the financial year ended 31<sup>st</sup> March 2011, that follow, mainly comprise:

##### **(a) Movement in Reserves Statement**

This account shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus (or Deficit) on the Provision of Services shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory accounts required to be charged to the General Fund Balance for council tax setting. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

##### **(b) The Comprehensive Income and Expenditure Statement**

This account brings together income and expenditure relating to all of the Council's functions. It demonstrates and reconciles the accounting costs of providing services in accordance with generally accepted accounting practices; it does not show the amount to be funded from the taxpayers, as the accounting cost is different to this.

##### **(c) The Balance Sheet**

This is fundamental to the understanding of the Council's year end financial position. It shows the balances and reserves at the Council's disposal, including the Collection Fund, its long term indebtedness, the current assets employed in its operations and summarised information on the fixed assets held. It excludes the Kidderminster Educational Foundation trust funds which does not constitute a Group Account for reporting purposes.

## **WYRE FOREST DISTRICT COUNCIL**

### **STATEMENT OF ACCOUNTS 2010/11**

#### **2. EXPLANATORY FOREWORD (continued)**

##### **(d) The Cash Flow Statement**

This statement summarises major changes of the Council Funds over the period of the financial year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery.

##### **(e) The Collection Fund Income and Expenditure Account**

This reflects the statutory requirement to maintain a separate Collection Fund. This account records income received from the Council Tax and Business Rates. It also shows the distribution of that income to precepting authorities, such as Wyre Forest District Council, Worcestershire County Council, West Mercia Police Authority and The Hereford and Worcester Fire and Rescue Authority, along with the payment to the National Non Domestic Rate pool.

#### **3. 2010/11 BUDGET**

At its Council meeting on 24th February 2010 Wyre Forest District Council set a budget of £15.227 million and a Band D Equivalent Council Tax of £197.62 (£192.80 in 2009/10). For the first time in over ten years the original budget 2010/11 allowed for a modest contribution to reserves, this was reduced but still provided reserves in the revised estimates.

Total reserves available for the Finance Strategy increased from £2.976 million as at 31<sup>st</sup> March 2010 to £3.398 million as at 31<sup>st</sup> March 2011 (including £0.7million Working Balance). The overall increase of £0.422 million was made up of an increase in the contribution to reserves from the planned £0.01million by £0.412 million savings in net expenditure on the year.

#### **4. BUDGET OUTTURN**

The main areas of the Council's expenditure are Employee Costs, Running Expenses and Grants & Benefits. This expenditure is funded by Specific Government Grant, Fees & Charges, Council Tax, Business Rates and Revenue Support Grant and the Council's reserves.

The main components of the budget for the year ended 31<sup>st</sup> March 2011, and how these compared with actual expenditure, are set out below.

**WYRE FOREST DISTRICT COUNCIL**

**STATEMENT OF ACCOUNTS 2010/11**

**4. BUDGET OUTTURN (continued)**

(a) Revenue Expenditure - General Fund Services

	<b>Estimated Expenditure (Income) £'000</b>	<b>Actual Expenditure (Income) £'000</b>
Gross Expenditure on Services	60,579	69,000
Less: Income	(44,843)	(53,666)
Net Expenditure on Services*	15,736	15,334
Less: Collection Fund and Grant Income	(15,328)	(15,297)
Precept to Parish Councils	(459)	(459)
Net Deficit/ (Surplus) for Year	(51)	(422)

\*The reduced Net Expenditure on Services is accounted for as follows:-

	<b>£'000</b>
Reduction in Employee and Administrative Expenses	(243)
Reduction in costs of Administrative Buildings and Industrial Estates	(198)
NNDR Refunds (including charitable relief for Museum dating back to 2000)	(140)
Benefits - reduction in costs and increased recovery of administrative costs	(120)
Recovery of election expenses	(86)
HMRC Voluntary Disclosure repayment	(68)
Waste - Income reduction, net of savings on vehicle running costs	248
Transformation reserve/Diamond Jubilee and Olympic additional reserves	125
Creation of provision for Termination Benefits	111
<b>Total Reduction of Net Expenditure on Services</b>	<b>(371)</b>

The reduction in net expenditure analysis above includes a reduction of £243k in the costs of Employee and Administrative Expenses, together with reductions in the costs of Administrative Buildings and Industrial Estates. Work to secure refunds of NNDR (Property rates) continues with £120k achieved for last year that was not included in the original budget. The £68k refund from HMRC is the final payment in respect of claims for Sporting Exemption, paid following a Voluntary Disclosure made under the Michael Fleming (t/a Bodycraft) v The Crown case provisions. PricewaterhouseCoopers worked closely with the Council on these disclosures and we received £736k last year treated in the accounts as an exceptional item due to the significant sum.

The overall reduction on Net Expenditure on Services includes additional costs relating to the contribution to two reserves. Firstly, for a further contribution to the Transformation Reserve of £100k to facilitate the Wyre Forest Forward Programme and £25k in relation to a new reserve for the Diamond Jubilee and Olympics in 2012, approved at Cabinet on 21st June 2011, from the 2010/11 surplus. A provision for Termination Benefits for restructurings approved before year end was also made and shows as £111k additional costs (see notes 22 and 45 also).

**WYRE FOREST DISTRICT COUNCIL**

**STATEMENT OF ACCOUNTS 2010/11**

**4. BUDGET OUTTURN (continued)**

In addition, as reported to Cabinet on the 21<sup>st</sup> June 2011, an update to the guidance for accounting for potential losses (impairment) from the Icelandic investments (update to LAAP Bulletin 82) was issued on 17th May 2011. This statutory guidance results in a reversal of the potential principal loss (impairment) in relation to the Kaupthing Singer and Friedlander (KSF) Icelandic investment, of £520k. This adjustment for the impairment allows the capital financing revenue reserve (which had previously been utilised for severance costs in 2008/09) to be reinstated. These gross entries are not shown in the Net Variance Analysis shown above.

**(b) Capital Expenditure and Capital Receipts**

During the financial year 2010/11, the Council spent £4.735 million on capital schemes (£6.15 million 2009/10). The majority of this expenditure relates to the acquisition of fixed assets and to the payment of Disabled Facilities/Improvement Grants. The major capital schemes were the new Headquarters, the vehicle replacement programme and the purchase of recycling bins.

This capital expenditure was financed by the application of capital receipts of £2.129 million (£4.078 million in 2009/10), by borrowing of £1.829 million (£0.33 million in 2009/10) and by the application of government grants of £0.764 million (£1.63 million in 2009/10). The balance of financing was Direct Revenue Financing of £0.013 million, (£0.011 million in 2009/10). The Council paid a proportion of Housing Capital Receipts received into the National Pool for the first quarter of 2010/11. Payments in the year totalled £2,482 (£18,032 in 2009/10), the reason for the cessation of these payments and consequent significant reduction in the sum paid for this year, was based on the advice of our new Treasury advisors, Sector.

The total external loans outstanding stood at £0.18 million at the end of the financial year (£0.18 million 2009/10).

**5. SIMPLIFIED BALANCE SHEET**

An extract from the main Balance Sheet to give an overview of what the Council owns and is owed is shown below:-

<b>31/03/2010 £'000 (restated)</b>	<b>What the Council owns and is owed</b>	<b>31/03/2011 £'000</b>
	<b>What we own:</b>	
46,807	Buildings, Land, Vehicles and Equipment	48,121
106	Stock	86
13,251	Cash Invested	17,274
6,570	Money owed to the Council	2,499
	<b>What we owe:</b>	
(4,548)	Money owed by the Council	(5,759)
(49,170)	Pension Fund Liability	(38,529)
13,016	<b>Total Value of what we own</b>	23,692



**WYRE FOREST DISTRICT COUNCIL**

**STATEMENT OF ACCOUNTS 2010/11**

**6. COLLECTION FUND**

The Collection Fund Accounts for 2010/11 are shown on page 90 of this Statement; the overall surplus has increased from £0.108million as at 31<sup>st</sup> March 2010 to £0.143million at 31<sup>st</sup> March 2011. This surplus is taken into account when setting the Council Tax levy for next year. Council Tax collection rates are just below the target of 98.0% being 97.58% for the year with a total of £52.896million receivable (analysed in note 2 of the Notes to the Collection Fund).

**7. ACCOUNTING POLICIES**

The accounting policies adopted by the Council comply with the relevant recommended accounting practices. The notes to the accounts form part of the accounts.

The CIPFA/LASAAC Joint Committee has fully incorporated the requirements of the International Financial Reporting Standards (IFRS) into the Code of Practice on Local Authority Accounting in the UK (The Code). This includes recognition of the net liability and a pensions reserve in the Balance Sheet and entries in the Comprehensive Income and Expenditure Statement and Movement In Reserves Statement for movements in the liability.

Significant work has taken place this year to implement the full requirements of the International Financial Reporting Standards (IFRS) and this is the first year the accounts have been prepared on the basis of the IFRS and the Code of Practice on Local Authority Accounting in the UK (The Code). The 2009/10 accounts have been restated to comply with the IFRS requirements. The main areas of review and change as a result of this for 2010/11 relate to the treatment of the Council's fixed assets, leases, employee benefits and grants.

Further information about the Council's Finances is available from:

***David Buckland, C.P.F.A., M.A.A.T.***  
***Director of Resources***

**Duke House**  
**Clensmore Street**  
**KIDDERMINSTER**  
**Worcestershire**  
**DY10 2JX**

**WYRE FOREST DISTRICT COUNCIL**

**STATEMENT OF ACCOUNTS 2010/11**

**STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

**The Authority's Responsibilities**

The authority is required:

- (a) to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Resources;
- (b) to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- (c) to approve the Statement of Accounts.

**The Director of Resources Responsibilities**

The Director of Resources is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, the Director of Resources has:

- (a) selected suitable accounting policies and applied them consistently;
- (b) made judgements and estimates that were reasonable and prudent;
- (c) complied with the local authority Code

The Director of Resources has also:

- (a) kept proper accounting records which were up to date;
- (b) taken reasonable steps for the prevention and detection of fraud and other irregularities.

## **WYRE FOREST DISTRICT COUNCIL**

### **STATEMENT OF ACCOUNTS 2010/11**

#### **Annual Governance Statement – 2010/11**

##### **Scope of Responsibility**

Wyre Forest District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Wyre Forest District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Wyre Forest District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Wyre Forest District Council has adopted the code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*, and has implemented this framework during the last year. A copy of the code is on our website at [www.wyreforestdc.gov.uk](http://www.wyreforestdc.gov.uk) or can be obtained from main reception Duke House, Kidderminster. This statement explains how Wyre Forest District Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2011 in relation to the publication of a statement on internal control.

##### **The purpose of the Governance Framework**

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Wyre Forest District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically.

The governance framework has been in place at Wyre Forest District Council for the year ended 31 March 2011 and up to the date of approval of the statement of accounts.

##### **The Governance Framework**

This is defined as 'the systems by which local authorities direct and control their functions and relate to their communities'.

The key elements of the Council's systems and processes that comprise the authority's governance arrangements are as follows. These arrangements have been implemented to provide a robust framework to deliver good governance. A review was undertaken based upon the six core principles of governance approved by the Audit Committee on 14 March 2011, which are:

## **WYRE FOREST DISTRICT COUNCIL**

### **STATEMENT OF ACCOUNTS 2010/11**

#### **Annual Governance Statement – 2010/11 (continued)**

1. Focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles.
3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
5. Developing the capacity and capability of members and officers to be effective
6. Engaging with local people and other stakeholders to ensure robust public accountability

#### **Delivery**

The Council delivers these outcomes through:

- Annually reviewing local procedures and practices, which together create the framework for good corporate governance as described in the CIPFA/SOLACE Framework Corporate Governance in Local Government: A Keystone for Community Governance.
- Nominating a lead officer for each of the six main themes that will be responsible for assessing the Council's effectiveness in practice.
- Producing an Assurance Statement on the extent to which the local code has been adhered to and the actions required where, adherence has not been achieved.

#### **Review of Effectiveness**

Wyre Forest District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the Management Team within the authority, which has responsibility for the development and maintenance of the governance environment, the section 151 Officer's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Council process for maintaining and reviewing the effectiveness of the governance framework includes:

- Findings and recommendations of Internal Audit;
- Updates by the managers within the authority who have responsibility for the development and maintenance of the internal control environment;
- Findings and recommendations by the external auditors and other review agencies and inspectorates.

## **WYRE FOREST DISTRICT COUNCIL**

### **STATEMENT OF ACCOUNTS 2010/11**

#### **Annual Governance Statement – 2010/11 (continued)**

A review undertaken for the 2010/11 statement was carried out by the Corporate Management Team on 2<sup>nd</sup> June 2011. This review took into account:

- the Annual report from the s151 Officer – 2010/11 reported to the Corporate Management Team on the 2<sup>nd</sup> June 2011 and considered by the Audit Committee on 29<sup>th</sup> June 2011;
- comments of other review agencies, inspectorates and external bodies;
- the findings and recommendations of the External Audit's Annual Audit & Inspection Letter reported to the Audit Committee on 14<sup>th</sup> March 2011;

All Councillors and Officers of the Council adhere to the Constitution and codes of conduct. The duty to ensure compliance is predominantly the responsibility of the Council's three statutory officers:

- Head of the Paid Service (Chief Executive)
- Monitoring Officer (Director of Legal and Corporate Services)
- Chief Financial Officer (Director of Resources)

The constitution is under constant review, to ensure that it remains fit for purpose.

The Audit Committee is the member forum that is responsible for reviewing and monitoring Corporate Governance in relation to Risk and Audit matters.

The Council's Director of Resources has the overall responsibility to ensure that the internal control environment is effective and adhered to. This is delivered through the Internal Audit service. Internal Audit undertake regular reviews of all of the Council's systems and produce reports containing recommendations for improvement wherever necessary, in line with their 3-year audit plan (2009-11). The Council's Internal Audit operates using the CIPFA Code of Practice Standards 2006.

External audit reports are reviewed and considered by the Audit Committee and the Council's Management Team.

The authority has been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of systems is shown below.

#### **Significant governance Issues**

The main issues, which are being or need to be addressed during the coming year, include:

- Completion of the New Headquarters project to ensure that the Council achieves Value for Money in its accommodation requirements;
- Continued priority to be given to the on-going recovery of the Council's "Icelandic" investments;
- Full implementation of the review of the Council's Corporate Risk Register;
- Implementation of the Wyre Forest Forward programme and associated Transformation projects.

**WYRE FOREST DISTRICT COUNCIL**

**STATEMENT OF ACCOUNTS 2010/11**

**Annual Governance Statement – 2010/11 (continued)**

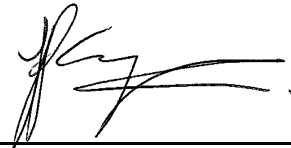
We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our annual review

Signed



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Chief Executive



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Leader of the Council

28th June 2011

# WYRE FOREST DISTRICT COUNCIL

## STATEMENT OF ACCOUNTS 2010/11

### MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus/(Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General fund balance	Earmarked reserves	Capital receipts reserve	Capital grants unapplied account	Total usable reserves	Pensions reserve	Financial instruments adjustment account	Collection fund adjustment account	Revaluation reserve	Capital adjustment account	Deferred capital receipts	Employee benefit adjustment account	Total unusable reserves	Total reserves
Notes	7	8	23			24	24	24	24	24	24	24		
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2010</b>	<b>2,976</b>	<b>1,963</b>	<b>11,887</b>	<b>810</b>	<b>17,636</b>	<b>(49,170)</b>	<b>(436)</b>	<b>15</b>	<b>11,580</b>	<b>33,583</b>	<b>(20)</b>	<b>(172)</b>	<b>(4,620)</b>	<b>13,016</b>
Surplus/(deficit) on provision of services	4,099	-	-	-	4,099	-	-	-	-	-	-	-	-	4,099
Other comprehensive income & expenditure	-	-	-	-	-	5,950	-	-	573	-	-	-	6,523	6,523
Total comprehensive income & expenditure	4,099	-	-	-	4,099	5,950	-	-	573	-	-	-	6,523	10,622
Adjustments between accounting basis & funding basis under regulations	(2,952)	-	(1,783)	75	(4,660)	4,691	436	5	(202)	(331)	-	115	4,714	54
Net increase/ (decrease) before transfers to earmarked reserves	1,147	-	(1,783)	75	(561)	10,641	436	5	371	(331)	-	115	11,237	10,676
Transfers to/(from) earmarked reserves	(725)	725	-	-	-	-	-	-	-	-	-	-	-	-
Increase/ (decrease) in year	422	725	(1,783)	75	(561)	10,641	436	5	371	(331)	-	115	11,237	10,676
<b>Balance at 31 March 2011</b>	<b>3,398</b>	<b>2,688</b>	<b>10,104</b>	<b>885</b>	<b>17,075</b>	<b>(38,529)</b>	<b>-</b>	<b>20</b>	<b>11,951</b>	<b>33,252</b>	<b>(20)</b>	<b>(57)</b>	<b>6,617</b>	<b>23,692</b>

**WYRE FOREST DISTRICT COUNCIL**

**STATEMENT OF ACCOUNTS 2010/11**

**2009/2010 Comparative Information**

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Note	General fund balance	Earmarked reserves	Capital receipts reserve	Capital grants unapplied account	Total usable reserves	Pensions reserve	Financial instruments adjustment account	Collection fund adjustment account	Revaluation reserve	Capital adjustment account	Deferred capital receipts	Employee benefit adjustment account	Total unusable reserves	Total reserves
	7	8	23											
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2009</b>	<b>2,843</b>	<b>2,126</b>	<b>15,328</b>	<b>927</b>	<b>21,224</b>	<b>(40,644)</b>	<b>(3,316)</b>	<b>27</b>	<b>5,679</b>	<b>33,472</b>	<b>(20)</b>	<b>(81)</b>	<b>(4,883)</b>	<b>16,341</b>
Surplus/(deficit) on provision of services	(3,857)	-	-	-	(3,857)	-	-	-	-	-	-	-	-	(3,857)
Other comprehensive income & expenditure	-	-	-	-	-	(7,145)	1,755	-	6,038	-	-	-	648	648
Total comprehensive income & expenditure	(3,857)	-	-	-	(3,857)	(7,145)	1,755	-	6,038	-	-	-	648	(3,209)
Adjustments between accounting basis & funding basis under regulations	3,827	-	(3441)	(117)	269	(1,381)	1,125	(12)	(137)	111	-	(91)	(385)	(116)
Net increase/ (decrease) before transfers to earmarked reserves	(30)	-	(3,441)	(117)	(3,588)	(8,526)	2,880	(12)	5,901	111	-	(91)	263	(3,325)
Transfers to/(from) earmarked reserves	163	(163)	-	-	-	-	-	-	-	-	-	-	-	-
Increase/ (decrease) in year	133	(163)	(3,441)	(117)	(3,588)	(8,526)	2,880	(12)	5,901	111	-	(91)	263	(3,325)
<b>Balance at 31 March 2010</b>	<b>2,976</b>	<b>1,963</b>	<b>11,887</b>	<b>810</b>	<b>17,636</b>	<b>(49,170)</b>	<b>(436)</b>	<b>15</b>	<b>11,580</b>	<b>33,583</b>	<b>(20)</b>	<b>(172)</b>	<b>(4,620)</b>	<b>13,016</b>





# WYRE FOREST DISTRICT COUNCIL

## STATEMENT OF ACCOUNTS 2010/11

### BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the asset and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

<b>1 April 2009</b>	<b>31 March 2010</b>		<b>Notes</b>	<b>31 March 2011</b>
<b>£000</b>	<b>£000</b>			<b>£000</b>
29,684	34,262	Property, Plant and Equipment	12,43	33,827
7,388	6,899	Investment Property	12,43	7,900
682	699	Community Assets	12,43	764
348	757	Intangible Assets	14	783
2,563	1,119	Surplus Assets not held for Sale	20,43	1,005
220	227	Assets under Construction	12	1,631
13,366	4,644	Long-term Investments	15	4,350
161	166	Long-term Debtors	18	128
<b>54,412</b>	<b>48,773</b>	<b>Long Term Assets</b>		<b>50,388</b>
-	2,011	Short-term Investments	15	3,507
4,468	6,596	Cash and Cash Equivalents	19	9,417
105	106	Inventories	16	86
1,865	6,404	Short-term Debtors	18	2,371
24	2,844	Assets held for Sale (less than one year)	20	2,211
<b>6,462</b>	<b>17,961</b>	<b>Current Assets</b>		<b>17,592</b>
(88)	(148)	Short-term Borrowing	15	(148)
(3,525)	(4,078)	Short-term Creditors	21	(5,301)
(203)	(165)	Short-term Provisions	22	(182)
<b>(3,816)</b>	<b>(4,391)</b>	<b>Current Liabilities</b>		<b>(5,631)</b>
(35)	(30)	Long-term Provisions	22	(24)
(38)	(35)	Long-term Borrowing	15	(31)
(40,644)	(49,170)	Other Long-term Liabilities	46	(38,529)
-	(92)	Capital Grants Receipts in Advance	38	(73)
<b>(40,717)</b>	<b>(49,327)</b>	<b>Long-term Liabilities</b>		<b>(38,657)</b>
<b>16,341</b>	<b>13,016</b>	<b>Net Assets</b>		<b>23,692</b>
		<b>Financed by:</b>		
21,224	17,636	Usable Reserves	8,23	17,075
(4,883)	(4,620)	Unusable Reserves	24	6,617
<b>16,341</b>	<b>13,016</b>	<b>Total Reserves</b>		<b>23,692</b>

**WYRE FOREST DISTRICT COUNCIL**

**STATEMENT OF ACCOUNTS 2010/11**

**CASH FLOW STATEMENT**

This statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as: operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

<b>2009/2010</b>	<b>2010/2011</b>
<b>£000</b>	<b>£000</b>
(3,857) Net surplus/(deficit) on the provision of services	4,099
5,054 Adjust net (surplus)/deficit for non cash movements:	1,417
(1,795) Adjust for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities:	(489)
<b>(598) Net cash flows from operating activities</b>	<b>5,027</b>
5,846 Net cash flows from investing activities	(3,695)
(3,120) Net cash flows from financing activities	1,489
<b>2,128 Net (increase)/decrease in cash or cash equivalents</b>	<b>2,821</b>
<b>4,468 Cash and cash equivalents at the beginning of the reporting period</b>	<b>6,596</b>
<b>6,596 Cash and cash equivalents at the end of the reporting period</b>	<b>9,417</b>

## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

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## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

#### **Note 1: ACCOUNTING POLICIES**

##### **1.1 General Principles**

The annual Statement of Accounts, required by The Accounts and Audit Regulations 2011, summarises the Council's transactions for the 2010/2011 financial year and its position at 31<sup>st</sup> March 2011. It has been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the Code), recognised by statute as representing proper accounting practices. This has been supplemented by the Best Value Accounting Code of Practice 2010/11 (BVACOP), supported by International Financial Reporting Standards (IFRS) that establishes proper practice for consistent financial reporting and also the relevant Local Authority Accounting Panel (LAAP) Bulletins including the latest issues giving guidance on the impairment of deposits with Icelandic Banks to ensure compliance with the prevailing Capital Regulation for Accounting for Sums at Risk.

##### **1.2 Accruals of Income and Expenditure**

All revenue and capital expenditure is accounted for on an accruals basis in accordance with the Code and IAS8. That is, sums due to or from the Council during the year are recorded, irrespective of whether the cash has actually been received or paid during the year. During April 2010, electronic Purchase Order Processing (POP) was implemented including commitment accounting, on the Council's Financial Management System. This has automated and streamlined the expenditure accruals process. The most salient points in relation to this policy are:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser, and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction, and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and consumed, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

#### **Note 1: ACCOUNTING POLICIES (continued)**

##### **1.3 Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

##### **1.4 Exceptional Items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the Notes to the Accounts, depending on how significant the items are to an understanding of the Council's financial performance.

##### **1.5 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

##### **1.6 Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service.

## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

#### **Note 1: ACCOUNTING POLICIES (continued)**

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. This is the Minimum Revenue Provision (MRP). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the MRP contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### **1.7 Employee Benefits**

##### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday and time off in lieu entitlements are charged to revenue in the financial year in which the absence occurs.

##### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant services line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Redundancy payments are based upon an employee's actual week's pay and the number of weeks as defined in the Employment Relations Act 1996, up to a maximum of 30 weeks pay. These payments are charged to revenue in accordance with BVACOP.

##### **Post Employment Benefits**

The Council participates in one defined benefit scheme for its employees, administered by Worcestershire County Council. Pension costs are assessed in accordance with the advice of an independent qualified Actuary using the projected unit method. A new actuarial valuation was undertaken by the funds actuaries Mercer Human Resource Consulting Limited as at 31<sup>st</sup> March 2010. This has continued the annual increase in contribution rates payable by the Council in future financial years.

## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

#### **Note 1: ACCOUNTING POLICIES (continued)**

##### **The Local Government Pension Scheme**

- The liabilities of the Worcestershire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on high quality AA rated corporate bond). The assets of Worcestershire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value
- The change in the net pensions liability is analysed into seven components:
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
  - contributions paid to the Worcestershire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.



## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

#### **Note 1: ACCOUNTING POLICIES (continued)**

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### **1.8 Events After the Balance Sheet Date**

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

#### **1.9 Financial Instruments**

##### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

The amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

#### **Note 1: ACCOUNTING POLICIES (continued)**

##### **Financial Assets**

The carrying amount of the Council's investments is the initial cost plus accrued interest. The frozen investments are also shown net of impairment charges relating to interest, as required by LAAP Bulletins 79 and 82.

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments. The Council currently does not hold any available-for-sale assets.

##### **Loans and Receivables**

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

#### **1.10 Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

#### **Note 1: ACCOUNTING POLICIES (continued)**

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

#### **Area Based Grant**

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ring-fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

#### **1.11 Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

#### **Note 1: ACCOUNTING POLICIES (continued)**

##### **1.12 Interests in Other Entities**

The Council does not have material interests in another entity that has the nature of subsidiaries, associates or jointly controlled entities that require it to prepare group accounts. The Council is a partner in the Worcestershire Regulatory Shared Service Joint Committee. This Partnership is a jointly controlled operation and does not therefore require it to prepare group accounts.

##### **1.13 Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO costing formula for fuel.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

##### **1.14 Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

##### **1.15 Jointly Controlled Operations and Jointly Controlled Assets**

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council is a partner in the Worcestershire Regulatory Shared Service Joint Committee together with Bromsgrove District Council (the host), Worcestershire County Council, Redditch Borough Council, Malvern Hills District Council, Worcester City Council and Wychavon District Council. This Partnership is a jointly controlled operation. No assets are controlled by this Council so there is no such recognition on its Balance Sheet; it debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

#### **Note 1: ACCOUNTING POLICIES (continued)**

The Host authority, Bromsgrove District Council controls all asset such as items of property, plant or equipment utilised for this partnership working, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

#### **1.16 Leasing**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

#### **The Authority as Lessee**

##### **Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation, revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

#### **Note 1: ACCOUNTING POLICIES (continued)**

##### **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg, there is a rent-free period at the commencement of the lease).

##### **The Authority as Lessor**

##### **Finance Leases**

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Again, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

##### **Operating Leases**

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg, there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

#### **Note 1: ACCOUNTING POLICIES (continued)**

##### **1.17 Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

##### **1.18 Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

###### **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

###### **Measurement**

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- where applicable, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie, it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

#### **Note 1: ACCOUNTING POLICIES (continued)**

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain would be held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

#### **Impairment**

Assets are assessed at each year-end by the Council's Valuer to determine whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.



## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

#### **Note 1: ACCOUNTING POLICIES (continued)**

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

#### **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e., freehold land and certain Community Assets) and assets that are not yet available for use (i.e., assets under construction).

Depreciation is calculated on the following bases:

- buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant and equipment – straight-line allocation over the useful life of the property as estimated by a suitably qualified officer

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

#### **Disposals and Non-Current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

#### **Note 1: ACCOUNTING POLICIES (continued)**

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

#### **1.19 Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For example, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

#### **1.20 Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

#### **1.21 Contingent Assets**

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

#### **Note 1: ACCOUNTING POLICIES (continued)**

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

#### **1.22 Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

#### **1.23 Revenue Expenditure funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

#### **1.24 Value Added Tax (VAT)**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

#### **1.25 Interest and Investment Income**

Investments of surplus resources are carried out in accordance with regulations. Interest is credited to the General Fund based on the actual interest earned on investments during the year. Funds are managed in accordance with the Council's Treasury Management Strategy.

The accounting entries for investments have been prepared in accordance with the relevant guidance on the impairment of deposits with Icelandic banks including LAAP Bulletin 79 and 82 to meet the prevailing Capital Regulation allowing this Council to defer the impact of impairment on the frozen investments.

## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

#### **Note 1: ACCOUNTING POLICIES (continued)**

##### **1.26 Borrowing**

In accordance with the Capital and Treasury Management Strategies the Council has made use of the prudential borrowing regime. The vehicle, equipment and systems renewals schedule (with the exception of the ICT Strategy from 2009/2010) contained within the capital programme is being financed largely through prudential borrowing, the result being that the Capital Financing Requirement (CFR) will increase. A statutory minimum revenue provision (MRP) being made, based on the writing down period of the assets. The CFR is kept under review with the possibility of external borrowing being available if required.

##### **Minimum Revenue Provision**

The Council is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision).

CLG Regulations have been issued which require full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils to replace the existing Regulations, so long as there is a prudent provision. The Council approved the following MRP Policy Statement on 24<sup>th</sup> February 2010, reaffirmed by Council 1<sup>st</sup> December 2010:

- From 1<sup>st</sup> April 2008 for all unsupported borrowing the MRP will be:

**Asset Life Method** – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (this option must be applied for any expenditure capitalised under a Capitalisation Directive).

This policy was reviewed and amended on the 23<sup>rd</sup> February 2011; this change will be reflected in the 2011/12 accounts.

##### **1.27 Other Accounting Principles**

The Bad Debt Provision is estimated by reference to previously issued CIPFA guidance and local knowledge.

For the purposes of Note 35 Officer's remuneration it has been determined that payments for Acting Returning Officer duties are not included, but are disclosed separately within the same note.

Note 50 – Building Regulations has been included at the discretion of this Authority to provide additional information and meet the publication deadline of the 30<sup>th</sup> September for this service area. The decision has been taken to ring-fence this service, with surpluses held in earmarked reserves.

#### **Note 2: ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED**

##### **FRS30 Heritage Assets**

A heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. The 2011/12 code confirms additional disclosure will be required in relation to the Code's adoption of FRS30.

## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

#### **Note 2: ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED (continued)**

Management information required for 2010/11 financial statements is that the Museum Collection falls within this new classification, as does the Organ at the Town Hall, The War Memorial Clock (at Coronation Gardens), The Angel of Peace statue, and antique furniture, paintings and Civic Regalia are also Heritage assets.

The Council balance sheet will, in 2011/12, reflect the value of any Heritage Asset identified under this new requirement, which are currently valued at insurance purposes at £1,174,888, except for the War Memorial Clock which is currently held in the Community and Infrastructure category of the Asset Register at a value of £70,630.

#### **Note 3: CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The main critical judgement in the Statement of Accounts is due to the high degree of uncertainty about future levels of funding for local government from central government. The Council has been given details of a reduced financial settlement for 2011/12 and 2012/13 but does not yet have a sufficient level of certainty to provide an indication that the assets of the Council might be impaired as a result of any further reduction in funding leading to the need to close facilities and reduce levels of service provision.
- The Authority had £5,849,040 remaining outstanding, deposited with Icelandic Banks Heritable Bank, Kaupthing Singer and Friedlander (KSF) and Landsbanki as at the 31<sup>st</sup> March 2011 that are in administration. In relation to the Landsbanki investment, the Council has been successful in defending our "priority" status. This decision announced mid April by the Icelandic Court, was a unanimous verdict. This excellent news means that the Council will receive the vast majority of the investment in line with current assumptions in the accounts.

An appeal against this decision has been made to the Icelandic Supreme Court, and this appeal will be heard in the coming months, probably by September. This is the final challenge the Council can face regarding this critical status and for the purposes of these accounts it is assumed the "priority" status is upheld.

#### **Note 4: ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31<sup>st</sup> March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

# WYRE FOREST DISTRICT COUNCIL

## NOTES TO THE ACCOUNTS 2010/11

### Note 4: **ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY (continued)**

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation will increase and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £50,967 for every year that useful lives had to be reduced.</p>
Icelandic Investments	<p>Estimations of the repayments in respect of the three Icelandic investments are included in the accounts based on guidance in LAAP Bulletins 70 and 82. Significant impairment was shown in the 2009/10 accounts (capitalisation direction secured) and further adjustments made to reflect the most up-to-date position this year. Full details are contained in Note 15 but in summary estimated repayments are:</p> <p>Heritable – 84.995% of £1 million KSF – 82% of £5 million Landsbanki – 94.85% of £3m</p> <p>The Landsbanki investment carries the highest degree of risk as this is currently subject to a final ruling of appeal in the Icelandic Courts.</p>	<p>The effect of changes in the dividend payouts are:</p> <p>Heritable – 1% change +/- £10k KSF – 1% change +/-£50k Landsbanki – 1% change +/- £30k</p> <p>Failure to secure preferential creditor status of the Landsbanki deposit would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to one third of its liabilities, assuming that the Bond remains at its current value. Based on initial estimates, if preferential creditor status is not achieved the recoverable amount may only be 33p in the £. This would result in an additional impairment charge to revenue of £1.85m.</p>
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Actuary, Mercer Human Resource Consulting Ltd, is engaged to provide the Authority with expert advice about the assumptions to be applied.	<p>The effects on the net pension liability of changes in individual assumptions can be measured and the sensitivity of the balance sheet deficit position are:</p> <p>+0.1% p.a. discount rate as at 31.03.2011 - £1.447m reduction +0.1% p.a. salary inflation give a £0.326m increase. 1 year added to members' life expectancy gives £2.377m increase.</p> <p>However, the assumptions interact in complex ways. During 2010/11, the Authority's actuaries advised that the net pension liability had decreased by £5.585m as a result of estimates being corrected as a result of experience and decreased by £0.365m attributable to updating of the assumptions.</p>

## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

#### **Note 4: ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY (continued)**

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
Arrears	At 31 <sup>st</sup> March 2011, the Authority had a balance of sundry debtors of £2.064m. A review of significant balances suggested that the standard CIPFA Bad and Doubtful Debts Provision which has continued to be used by the authority for a number of years has proven to be an accurate reflection of the probability of successfully collecting debts based upon their age. The percentages used are 0.5% for debts up to 6 months old, 25% for debts between 6 and 12 months old, 50% for debts between 12 and 24 months old and 100% for debts outstanding in excess of 24 months. A provision equivalent to 33% (£688,328) of the sundry debtors outstanding has been provided for on this basis for 2010/11 which we believe to be appropriate in the current economic climate.	<p>If collection rates were to deteriorate, we would have to review whether the method used to calculate the provision for bad and doubtful debts was adequate in the prevailing economic climate.</p> <p>As a general rule of thumb, any debt outstanding for more than 6 months must be considered to be a bad debt. However, a debt can go bad at any time during its life cycle even when it is current.</p> <p>If we were to assume that any debt outstanding for more than 6 months was deemed to be a bad debt, then we would need to provide for £918,773 (an equivalent of 45% of the sundry debtors figure).</p> <p>A further increase of £203,445 would therefore be required in the provision.</p>

#### **Note 5: TRANSITION ARRANGEMENTS**

##### **5.1 Principles**

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

##### **5.2 Short-term accumulating compensated absences**

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Council. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the Council is required to accrue for any annual leave earned but not taken at 31<sup>st</sup> March each year. Under the previous accounting arrangements, no such accrual was required.

## WYRE FOREST DISTRICT COUNCIL

### NOTES TO THE ACCOUNTS 2010/11

#### **Note 5: TRANSITION ARRANGEMENTS (continued)**

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Accounts until the benefits are used.

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009/10 financial statements:

	<b>2009/10 Published Statements £000</b>	<b>Adjustments Made £000</b>
<b>Opening 1<sup>st</sup> April 2009 Balance Sheet</b>		
Creditors	(3,840)	(81)
Accumulated Absences Account	-	81
<b>31<sup>st</sup> March 2010 Balance Sheet</b>		
Creditors	(4,443)	(172)
Accumulated Absences Account	-	172
<b>2009/10 Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services (Net)</b>		
Central Services to the Public	888	11
Highways and Transport Services	1,603	2
Cultural, Environmental, Regulatory and Planning Services	9,204	6
Corporate and Democratic Core	2,852	67
Housing Services	1,554	5
Non Distributed Costs	219	-

#### **5.3 Government grants - capital**

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31<sup>st</sup> March 2009 has been transferred to the Capital Adjustment Account in the opening 1<sup>st</sup> April 2009 Balance Sheet.
- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- Grants were received in 2009/10 but not used. Previously no income was recognised in respect of these grants, which were shown in the liabilities section of the Balance Sheet. Following the change in accounting policy, the grants have been reviewed and either recognised as capital grants receipts in advance in the liabilities section of the Balance Sheet, or recognised in full and transferred to the Capital Grants Unapplied Account within the Reserves section of the Balance Sheet.



## WYRE FOREST DISTRICT COUNCIL

### NOTES TO THE ACCOUNTS 2010/11

#### **Note 5: TRANSITION ARRANGEMENTS (continued)**

This has resulted in the following changes being made to the 2009/10 financial statements:

	<b>2009/10 Published Statements £000</b>	<b>Adjustments Made £000</b>
<b>Opening 1<sup>st</sup> April 2009 Balance Sheet</b>		
Government Grants Deferred Account	(1,287)	1,287
Creditors	(3,840)	315
Capital Adjustment Account	31,615	1,857
Capital Grants Unapplied Account	-	927
<b>31<sup>st</sup> March 2010 Balance Sheet</b>		
Government Grants Deferred Account	(1,664)	1,664
Capital grants receipts in advance	-	(92)
Creditors	(4,443)	365
Capital Adjustment Account	31,379	2,204
Capital Grants Unapplied Account	-	810
<b>2009/10 Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services (Net)</b>	16,065	325

There is no change to the General Fund Balance, as capital grant income is transferred out of the General Fund under both the previous and current accounting policies.

#### **Note 6: EVENTS AFTER THE BALANCE SHEET DATE**

The Pre-Audit Statement of Accounts 2010/11 will be approved by the Director of Resources and endorsed by the Audit Committee on 29<sup>th</sup> June 2011. The Director of Resources confirms that the following Post Balance Sheet Events (PBE) have been identified as at 29<sup>th</sup> June 2011, the date that the audited Statement of Accounts 2010/11 is to be approved:

The financial statements and notes have not been adjusted for the following events which took place after 31<sup>st</sup> March 2011 as they provide information that is relevant to an understanding of the Council's financial position but do not relate to conditions at that date:

- PBE 1. A further dividend was received from Kaupthing, Singer & Friedlander on the 27<sup>th</sup> May 2011 of 5p in the £, totalling £250,000 principal and £7,818.90 interest, together with £62,500 principal from The Heritable and £1,960.09 interest on the 19<sup>th</sup> April 2011.
- PBE 2. Shared Services – The Payroll Service was outsourced on 1<sup>st</sup> April 2011 and is now provided by a Shared Service Hosted by Redditch Borough Council together with Bromsgrove District Council. The Payroll Manager was subject to TUPE as part of this new service arrangement. This Council commenced the Hosting of a Shared Service for Economic Development and Regeneration together with Redditch Borough Council and Bromsgrove District Council on the 1<sup>st</sup> June 2011, resulting in the TUPE to Wyre Forest of 10 posts.

## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

#### **Note 6: EVENTS AFTER THE BALANCE SHEET DATE (continued)**

- PBE 3. The Contract for the construction of the new Headquarters was awarded to Thomas Vale Construction in May 2011, with works on site commencing on the 6<sup>th</sup> June 2011.
- PBE 4. Oldington and Foley Park Community Network advised the Council that it had to make all staff redundant and cease trading in June 2011. They requested the Council consider writing off a debt of £12,724 owed by the Network; normal provision for this bad debt has been made within the 2010/11 accounts (see Note 4 Arrears section and Note 18 – Debtors/Bad Debt Provision). Any write-off will be reflected in the accounts for 2011/12.

The financial statements and notes have been adjusted for the following events which took place after 31<sup>st</sup> March 2011 as they reflect decisions taken before the end of the financial year:

- PBE 5. A small number of Termination payments were made to 5 employees before the end of June as a result of minor restructuring decisions taken before the 31<sup>st</sup> March 2011. Details of these payments are included in Note 22 Provisions and Note 45 Termination Benefits.
- PBE 6. Restructuring decisions were made in 2010/11 in relation to the Worcestershire Enhanced Two Tier (WETT) Shared Service for Regulatory Services but not to be implemented until 2011/12. This Council's share of these Termination Payments is included in a separate provision. Details of these payments are included in Note 22 Provisions and Note 45 Termination Benefits.

#### **Note 7: ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

# WYRE FOREST DISTRICT COUNCIL

## NOTES TO THE ACCOUNTS 2010/11

### Note 7: **ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS (continued)**

2010/11	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments involving the Capital Adjustment Account:</b>				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	3,374			(3,374)
Movements in the market value of Investment Properties	(988)			988
Capital grants and contributions	(766)		75	766
Revenue expenditure funded from capital under statute	1,148			(1,148)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	119			(119)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(568)			568
Capital expenditure charged against the General Fund balance	(12)			12
<b>Adjustments involving the Capital Receipts Reserve:</b>				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		347		(347)
Use of the Capital Receipts Reserve to finance new capital expenditure		(2,128)		2,128
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	2	(2)		
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(436)			436
<b>Adjustments involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 46)	(2,180)			2,180
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,511)			2,511
<b>Adjustments involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(5)			5
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(115)			115
<b>Other Adjustments</b>	(13)			(7)
<b>Total Adjustments</b>	<b>(2,951)</b>	<b>(1,783)</b>	<b>75</b>	<b>4,714</b>

# WYRE FOREST DISTRICT COUNCIL

## NOTES TO THE ACCOUNTS 2010/11

### Note 7: **ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS (continued)**

2009/10 Comparative Figures	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments involving the Capital Adjustment Account:</b>				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	2,281			(2,281)
Capital grants and contributions	(751)		(117)	751
Revenue expenditure funded from capital under statute	2,603			(2,603)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(88)			88
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(433)			433
Capital expenditure charged against the General Fund balance	(138)			138
<b>Adjustments involving the Capital Receipts Reserve:</b>				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(25)	655		(630)
Use of the Capital Receipts Reserve to finance new capital expenditure		(4,078)		4,078
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	18	(18)		
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(1,125)			1,125
<b>Adjustments involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 46)	4,015			(4,015)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,634)			2,634
<b>Adjustments involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	12			(12)
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	91			(91)
<b>Other Adjustments</b>	1			
<b>Total Adjustments</b>	<b>3,827</b>	<b>(3,441)</b>	<b>(117)</b>	<b>(385)</b>

# **WYRE FOREST DISTRICT COUNCIL**

## **NOTES TO THE ACCOUNTS 2010/11**

### **Note 8: TRANSFERS TO/FROM EARMARKED RESERVES**

This note details the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from the earmarked reserves to meet General Fund expenditure in 2010/11.

Reserve	Balance at 1 <sup>st</sup> April 2009 £'000	Transfers Out 2009/10 £'000	Transfers In 2009/10 £'000	Balance at 31 <sup>st</sup> March 2010 £'000	Transfers Out 2010/11 £'000	Transfers In 2010/11 £'000	Balance at 31 <sup>st</sup> March 2011 £'000
Other Reserves – Collection Fund and Building Control	33	-	12	45	(29)	4	20
Building Control Fee Earning Account	-	-	-	-	-	50	50
District Local Development Framework	22	(22)	33	33	-	20	53
FMS Consultancy	54	(19)	-	35	(21)	20	34
Future Leisure Centre Provision Costs	-	-	-	-	-	35	35
Headquarters	403	(3)	-	400	-	52	452
Housing Benefits, Council Tax & NNDR Administration Grants	-	-	80	80	(15)	-	65
Kidderminster Town Centre Enhancement Project	-	-	-	-	-	66	66
Local Authority Business Growth Incentive	189	(78)	29	140	(98)	1	43
Payroll One-Off Implementation Costs	-	-	-	-	(37)	68	31
Personal Search Refunds	-	-	-	-	-	34	34
Property Payments Reserve	-	-	-	-	-	250	250
Repairs & Maintenance of Admin Buildings	-	-	-	-	-	35	35
Revenue Financing Reserve	-	-	-	-	-	557	557
Transformation Fund	-	-	100	100	(15)	100	185
Earmarked Reserves below £30,000	721	(570)	406	557	(463)	213	307
External Funding Earmarked Reserves	396	(183)	324	537	(297)	187	427
Insurance Excesses Earmarked Reserve	39	(3)	-	36	-	8	44
Future Capital Expenditure Reserve	228	(228)	-	-	-	-	-
Recycling Earmarked Reserve – WCC	41	(41)	-	-	-	-	-
<b>Total</b>	<b>2,126</b>	<b>(1,147)</b>	<b>984</b>	<b>1,963</b>	<b>(975)</b>	<b>1,700</b>	<b>2,688</b>

### **Note 9: OTHER OPERATING EXPENDITURE**

	2009/10 £'000	2010/11 £'000
Parish Council Precepts	445	459
Payments to the Government Housing Capital Receipts Pool	18	2
(Gains)/Losses on the disposal of non current assets	(88)	119
<b>Total</b>	<b>375</b>	<b>580</b>

**WYRE FOREST DISTRICT COUNCIL**

**NOTES TO THE ACCOUNTS 2010/11**

**Note 10: FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

	<b>2009/10 £'000</b>	<b>2010/11 £'000</b>
Interest payable and similar charges	210	55
Pension interest cost and expected return on pension assets	3,035	2,112
Interest receivable and similar income	(161)	(143)
Income and expenditure in relation to investment properties and charges in their fair value	(269)	(1,289)
Icelandic investments interest adjustment	(561)	(270)
Icelandic investments impairment adjustments	(565)	(686)
Capitalisation of Icelandic Impairments	1,755	-
Other gains and losses	(25)	(14)
Surplus on Trading Accounts	(2)	(2)
<b>Total</b>	<b>3,417</b>	<b>(237)</b>

**Note 11: TAXATION AND NON SPECIFIC GRANT INCOMES**

	<b>2009/10 £'000</b>	<b>2010/11 £'000</b>
Council tax income	(7,198)	(7,382)
Non domestic rates	(6,484)	(7,044)
Revenue Support Grant	(1,497)	(1,023)
Non-service related government grants	(381)	(327)
Capital grants and contributions	(751)	(132)
<b>Total</b>	<b>(16,311)</b>	<b>(15,908)</b>

**WYRE FOREST DISTRICT COUNCIL**

**NOTES TO THE ACCOUNTS 2010/11**

**Note 12: PROPERTY PLANT AND EQUIPMENT (PPE)**

	Land and Buildings	Vehicles, Plant & Equipment £'000	Community Assets	Assets Under Construction	Total PPE
<b>Cost or Valuation at April 1<sup>st</sup> 2009</b>	<b>28,737</b>	<b>4,345</b>	<b>700</b>	<b>220</b>	<b>34,002</b>
Additions	497	572	35	7	1,111
Revaluation Increase (Decreases) recognised in Revaluation Reserve	6,970	-	-	-	6,970
Derecognition (Disposals)	-	(165)	-	-	(165)
Other Movements in Cost or Valuation	(2,471)	-	-	-	(2,471)
<b>At 31<sup>st</sup> March 2010</b>	<b>33,733</b>	<b>4,752</b>	<b>735</b>	<b>227</b>	<b>39,447</b>
<b>Accumulated Depreciation and Impairment at April 1<sup>st</sup> 2009</b>	<b>(1,421)</b>	<b>(1,977)</b>	<b>(18)</b>	<b>-</b>	<b>(3,416)</b>
Depreciation Written out to Revaluation Reserve	(153)	-	-	-	(153)
Depreciation Written out to the Surplus/Deficit on the Provision of Services	(775)	(658)	(18)	-	(1,451)
Impairments Losses/ (Reversals) Recognised in the Revaluation Reserve	(215)	-	-	-	(215)
Impairment Losses/ (Reversals) Recognised in the Surplus/ Deficit on the Provision of Services	(627)	-	-	-	(627)
Derecognition (Disposals)	-	144	-	-	144
Other Movements in Depreciation and Impairment	1,459	-	-	-	1,459
<b>At 31<sup>st</sup> March 2010</b>	<b>(1,732)</b>	<b>(2,491)</b>	<b>(36)</b>	<b>-</b>	<b>(4,259)</b>
<b>Net Book Value at 31<sup>st</sup> March 2010</b>	<b>32,001</b>	<b>2,261</b>	<b>699</b>	<b>227</b>	<b>35,188</b>

**WYRE FOREST DISTRICT COUNCIL**

**NOTES TO THE ACCOUNTS 2010/11**

**Note 12: PROPERTY PLANT AND EQUIPMENT (continued)**

	Land and Buildings	Vehicles, Plant & Equipment £'000	Community Assets	Assets Under Construction	Total PPE
<b>Cost or Valuation at April 1<sup>st</sup> 2010</b>	<b>33,733</b>	<b>4,752</b>	<b>736</b>	<b>227</b>	<b>39,448</b>
Additions	82	1,769	51	1,404	3,306
Revaluation Increases/ (Decreases) recognised in Revaluation Reserve	2,674	-	81	-	2,755
Derecognition (Disposals)	-	(977)	-	-	(977)
Other Movements in Cost or Valuation	(4,922)	-	(44)	-	(4,966)
<b>At 31<sup>st</sup> March 2011</b>	<b>31,567</b>	<b>5,544</b>	<b>824</b>	<b>1,631</b>	<b>39,566</b>
<b>Accumulated Depreciation and Impairment at April 1<sup>st</sup> 2010</b>	<b>(1,732)</b>	<b>(2,491)</b>	<b>(37)</b>	<b>-</b>	<b>(4,260)</b>
Depreciation Written Out to Revaluation Reserve	(198)	-	(5)	-	(203)
Depreciation Written Out to the Surplus/Deficit on the Provision of Services	(833)	(617)	(26)	-	(1,476)
Impairments Losses/ (Reversals) Recognised in the Revaluation Reserve	(1,928)	-	(1)	-	(1,929)
Impairment Losses/ (Reversals) Recognised in the Surplus/ Deficit on the Provision of Services	(1,486)	-	(40)	-	(1,526)
Derecognition (Disposals)	-	881	-	-	881
Other Movements in Depreciation and Impairment	5,120	-	49	-	5,169
<b>At 31<sup>st</sup> March 2011</b>	<b>(1,057)</b>	<b>(2,227)</b>	<b>(60)</b>	<b>-</b>	<b>(3,344)</b>
<b>Net Book Value at 31<sup>st</sup> March 2011</b>	<b>30,510</b>	<b>3,317</b>	<b>764</b>	<b>1,631</b>	<b>36,222</b>



## WYRE FOREST DISTRICT COUNCIL

### NOTES TO THE ACCOUNTS 2010/11

#### **Note 12: PROPERTY PLANT AND EQUIPMENT (continued)**

Information about Depreciation Methodologies:

##### Method

All fixed assets are depreciated on a straight line basis over a period of their useful economic life (see section 1.18 of the Accounting Policies also).

##### Useful lives

<b>Asset Category</b>	<b>Life</b>
Offices, Sport & Leisure Centres, Museum and Market	20-90
Depot & Workshops	20-30
Public Conveniences	15-25
Miscellaneous Community Assets	10-35
Vehicles, Plant & Machinery, Equipment & Lighting	3-10
ICT Systems	3-5
CCTV	2

The number and type of major fixed assets are:

<b>Asset Description</b>	<b>2009/10 (restated)</b>	<b>2010/11</b>
<b>Land &amp; Properties:</b>		
Civic & Administrative Buildings	5	4
Car Parks	29	29
Asset Under Construction – New HQ	-	1
Trading Estates & Enterprise Centres	5	5
Public Conveniences	14	14
Leisure Centres (leasehold interest in Bewdley Leisure Centre)	3	3
Museums	1	1
Farms	2	2
Sports & Social Clubs	4	4
Sports Fields & Parks	22	22
Nature Reserves	3	3
Other Land & Buildings	38	38
<b>Vehicles, Equipment &amp; Systems:</b>		
Equipment	Various	Various
Systems & Software	Various	Various
Vehicles	83	88
Play Equipment	Various	Various

## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

#### **Note 12: PROPERTY PLANT AND EQUIPMNENT (continued)**

The major Items of capital Expenditure in 2010/11 were:

<b>Scheme</b>	<b>£'000</b>
New Headquarters	1,404
Vehicle Replacement Programme	867
Green Recycling Bins	849
Disabled Facilities Grants	799
ICT Strategy	134
Total Operational Management System	103
Other Capital Schemes	579
<b>Total Capital Expenditure</b>	<b>4,735</b>

The Council's Capital Programme was financed as follows:

<b>Type of Financing</b>	<b>£'000</b>
Borrowing	1,829
Grants	764
Application of Capital Receipts	2,129
Direct Revenue Financing	13
<b>Total Financing</b>	<b>4,735</b>

#### **Contractual Commitments**

At 31<sup>st</sup> March 2011 the following Capital contracts had been entered into, with the following sums remaining to be paid.

<b>Description</b>	<b>£'000</b>
Disabled Facilities Grant	119
Municipal Crematorium / Cemetery	1,250

The provision of the new Municipal Crematorium / Cemetery was subject to a full competitive tender exercise, with Dignity PLC being awarded the contract early in 2010. This is a £5m partnership scheme to include Crematorium as well as burial services, with Dignity managing the facility and the Council as Land owner making a £1.25m capital contribution. Work is progressing well, with an anticipated completion date in August/September 2011. A contractual commitment exists for the Council to pay its agreed share of this partnership project of £1.25m on practical completion of the scheme expected to be in the Autumn 2011.

The contract for the construction of the Council's new Headquarters had not been let at the balance sheet date. The contract has now been awarded to Thomas Vale Construction Ltd. and construction work has commenced. Details of this contract are given in Note 6 on Events after the Balance Sheet date.

## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

#### **Note 13: INVESTMENT PROPERTIES**

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	<b>2009/10 £'000</b>	<b>2010/11 £'000</b>
Rental income from Investment Property	613	528
Direct operating expenses arising from Investment Property	(344)	(227)
Net gain	269	301

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	<b>2009/10 £'000</b>	<b>2010/11 £'000</b>
Balance at Start of Year	7,388	6,899
Additions/Enhancements	7	13
Disposals	(496)	-
Net Gains/ (Losses) from Fair Value Adjustments	-	988
Balance at Close of Year	6,899	7,900

#### **Note 14: INTANGIBLE ASSETS**

	<b>2009/10 £'000</b>	<b>2010/11 £'000</b>
Balance at Start of Year:		
Gross Carrying Amounts	856	1,467
Accumulated Amortisation	(508)	(710)
<b>Net Carrying Amount at Start of Year</b>	<b>348</b>	<b>757</b>
Additions:		
Purchases	612	250
Amortisation for Period	(203)	(224)
<b>Net Carrying Amount at End of Year</b>	<b>757</b>	<b>783</b>
Comprising:		
Gross Carrying Amount	1467	1,717
Accumulated Amortisation	(710)	(934)
<b>Net Carrying Amount at End of Year</b>	<b>757</b>	<b>783</b>

## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

#### **Note 15: FINANCIAL INSTRUMENTS**

##### **WFDC Investments as at 31<sup>st</sup> March 2011 (Principal)**

<b>Financial Institution</b>	<b>Amount Invested £'000</b>	<b>Maturity Date</b>
Clydesdale Bank	1,000	Instant Access
Royal Bank of Scotland	2,925	Instant Access
Santander UK PLC	2,000	Instant Access
Barclays Bank	1,000	26/04/2011
Santander UK PLC	1,000	13/04/2011
Nationwide B/Soc	2,500	03/05/2011
Lloyds TSB Bank	1,500	10/05/2011
Lloyds TSB Bank	1,500	15/06/2011
<b>Total</b>	<b>13,425</b>	

##### **Frozen Investments as at 31<sup>st</sup> March 2011 (Outstanding Principal)**

<b>Financial Institution</b>	<b>Amount Invested £'000</b>	<b>Maturity Date</b>	<b>Balance Sheet Carrying Value £'000</b>
Landsbanki	3,000	30/10/2008	2,609
Kaupthing, Singer & Friedlander	2,350	30/10/2008	1,398
Heritable Bank	499	30/10/2008	344
<b>Total</b>	<b>5,849</b>		<b>4,351</b>

##### **Long Term Investments (including accrued interest)**

In light of the current economic climate, the Council held no long term investments as at 31<sup>st</sup> March 2010 and 2011.

##### **Key Risks**

The Council's activities expose it to a variety of financial risks. The key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

#### **Note 15: FINANCIAL INSTRUMENTS (continued)**

##### **Overall Procedures for Managing Risk**

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum for exposures and the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid year update.

The annual treasury management strategy which incorporated the prudential indicators was approved by Council on 24<sup>th</sup> February 2010, this was on the basis of the Butlers, the then Council's Treasury advisors, lowest common denominator credit rating methodology. A Copy of this report and associated appendices can be found at the links below [http://www.wyreforest.gov.uk/council/docs/doc41577\\_20100216\\_cabinet\\_report.pdf](http://www.wyreforest.gov.uk/council/docs/doc41577_20100216_cabinet_report.pdf)

[http://www.wyreforest.gov.uk/council/docs/doc41569\\_20100216\\_cabinet\\_report.pdf](http://www.wyreforest.gov.uk/council/docs/doc41569_20100216_cabinet_report.pdf)

## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

#### **Note 15: FINANCIAL INSTRUMENTS (continued)**

Following a competitive tender exercise Sector were appointed as the Council's Treasury advisors on the 1<sup>st</sup> September 2010. An updated Treasury Management Strategy was approved by Council on 1<sup>st</sup> December 2010, this included the Sector Creditworthiness Methodology; and was reaffirmed by Council on 23<sup>rd</sup> February 2011. The full reports are available on the Council website. The key issues within the strategy were:

- The Authorised Limit for the 2010/11 was set at £6m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £5m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 100% based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt are shown at Key Note 1.

These policies are implemented by the central treasury team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed periodically.

#### **Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criteria is applied. Details of the Investment Strategy can be found on the Council's website and are summarized in Key Note 2 (Council approval on the 24<sup>th</sup> February 2010 supplemented by changes approved 1<sup>st</sup> December 2010 and 23<sup>rd</sup> February 2011). The key areas of the Investment Strategy are that the minimum criteria for investment counterparties include:

This Council uses the creditworthiness service provided by Sector. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors.

## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

#### **Note 15: FINANCIAL INSTRUMENTS (continued)**

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of 25% of total investments with any financial institution or group, cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31<sup>st</sup> March 2011 that this was likely to crystallise.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £9m invested in this sector at that time (£5.85m at 31<sup>st</sup> March 2011). In accordance with accounting practice the Council has been notified of objective evidence that impairment has occurred and the investments have been impaired according to accounting requirements. The impact of the principal invested has been mitigated in the revenue accounts in accordance with the successful Capitalisation direction and government regulations, although all related investment income has been fully impaired.

Whilst the current credit crisis in international markets has raised the overall possibility of default the Council maintains strict credit criteria for investment counterparties.

The Council held no other deposits in Non-UK domiciled institutions as at 31<sup>st</sup> March 2010 and 2011

The Councils standard credit terms are 14 days from invoice date for it's trade debtors, the past due amount can be analysed by age as follows:

<b>Age of Debt</b>	<b>31<sup>st</sup> March 2010 £'000</b>	<b>31<sup>st</sup> March 2011 £'000</b>
Less than three months	763	661
Three to six months	50	19
Six months to one year	63	134
More than one year	41	123
<b>Total</b>	<b>917</b>	<b>937</b>

#### **Collateral**

Where the Council has served notice requiring works to be carried out and the recipient of the notice has not complied and the Council then undertakes the works in default, these may be classed as collateral. The Council then seeks to recover the cost of those works by means of the charge on the property. In addition to this, the Council has 13 mortgages outstanding on former HRA property for which there is also a charge on the Property which can be classed as collateral. The total sum outstanding as at 31<sup>st</sup> March 2011 is £40,854.

## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

#### **Note 15: FINANCIAL INSTRUMENTS (continued)**

##### **Liquidity risk**

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets is as follows:

	<b>31<sup>st</sup> March 2010 £'000</b>	<b>31<sup>st</sup> March 2011 £'000</b>
Less than one year	9,345	15,040
Between one and two years	1,454	1,159
Between two and three years	884	262
More than three years	1,510	1,327
<b>Total</b>	<b>13,193</b>	<b>17,788</b>

All trade and other payables are due to be paid in less than one year and are not shown in the table above. The maturity structure of the frozen investments has been calculated by using the CIPFA model provided with LAAP Bulletin 82.

##### **Refinancing and Maturity Risk**

The Council maintains a significant investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial assets.

- The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:
  - monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
  - monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.



## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

#### **Note 15: FINANCIAL INSTRUMENTS (continued)**

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council as part of the Treasury Management Strategy, see Key Note 1)

	<b>Approved Maximum Limits</b>	<b>Approved Minimum Limits</b>	<b>Actual 31<sup>st</sup> March 2010 £'000</b>	<b>Actual 31<sup>st</sup> March 2011 £'000</b>
Less than one year	100%	-	148	148
Between one and two years	100%	-	-	-
Between two and five years	100%	-	-	-
Between five and ten years	100%	-	35	31
More than ten years	100%	-	-	-
Total	100%	-	183	179

#### **Market risk**

**Interest rate risk** - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings would not be carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market price would be reflected in the Other Comprehensive Income and Expenditure Statement, however none are held as at 31<sup>st</sup> March 2011.

# WYRE FOREST DISTRICT COUNCIL

## NOTES TO THE ACCOUNTS 2010/11

### **Note 15: FINANCIAL INSTRUMENTS (continued)**

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	<b>£'000</b>
Increase in interest payable on variable rate borrowings (zero as no external borrowing)	-
Increase in interest receivable on variable rate investments	(163)

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note Key 3– Fair value of Assets and Liabilities carried at Amortised Cost

**Price risk** - The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

**Foreign exchange risk** - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

**(1) Key Note to the Accounts – Treasury Management Prudential Indicators and Limits on Activity approved at Council 24<sup>th</sup> February 2010, 1<sup>st</sup> December 2010 and the 23<sup>rd</sup> February, 2011.**

	2010/11	2011/12	2012/13
Interest rate Exposures			
	Upper	Upper	Upper
Limits on fixed interest rates	100%	100%	100%
Limits on variable interest rates based on net debt	100%	100%	100%
Maturity Structure of fixed interest rate borrowing 2010/11			
	Lower	Upper	
Under 12 months	0%	100%	
12 months to 2 years	0%	100%	
2 years to 5 years	0%	100%	
5 years to 10 years	0%	100%	
10 years and above	0%	100%	
Maximum principal sums invested > 364 days			
Principal sums invested > 364 days	£7m	£4m	£2m

## WYRE FOREST DISTRICT COUNCIL

### NOTES TO THE ACCOUNTS 2010/11

#### **Note 15: FINANCIAL INSTRUMENTS (continued)**

##### **(2) Key Note to the Accounts – Counterparty and Investment Criteria**

The selection of counterparties with a high level of creditworthiness will be achieved by selection of institutions down to a minimum durational band within Sector's weekly credit list of worldwide potential counterparties. The Council will therefore use counterparties within the following durational bands:

- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 3 months
- No Colour not to be used

##### **SPECIFIED INVESTMENTS:**

**The Council has determined to authorise Specified Investments as follows:**

(All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' rating criteria where applicable)

	<b>Minimum Credit Criteria</b>	<b>Use</b>	<b>Max % of total investments *</b>	<b>Max maturity period</b>
UK nationalised banks	Blue	In-house	25%	Up to 12 months
Banks nationalised by high credit rated (sovereign rating) countries – non UK	Green	In-house and Fund Managers	25%	Up to 12 months
Government guarantee (explicit) on ALL deposits by high rated (AAA sovereign rating) countries **	Green	In-house and Fund Managers	25%	Up to 12 months
UK Government support to the banking sector (implicit guarantee) ***	Green	In-house	25%	Up to 12 months

\* Where a bank is part of a group then the total exposure to the group will be the same as the individual exposure assigned to the parent organisation

\*\* e.g. Singapore (AAA); specified list of countries approved for investing with their banks

\*\*\* The original list of banks covered when the support package was initially announced was:

## WYRE FOREST DISTRICT COUNCIL

### NOTES TO THE ACCOUNTS 2010/11

#### **Note 15: FINANCIAL INSTRUMENTS (continued)**

##### **(2) Key Note to the Accounts – Counterparty and Investment Criteria (continued)**

- Abbey (now part of Santander)
- Barclays
- HBOS (now part of the Lloyds Group)
- Lloyds TSB
- HSBC
- Nationwide Building Society
- RBS
- Standard Chartered

Banks eligible for support under the UK bail-out package and which have issued debt guaranteed by the Government are eligible for a continuing Government guarantee when debt issues originally issued and guaranteed by the Government mature and are refinanced. However, no other institutions can make use of this support as it closed to new issues and entrants on 28<sup>th</sup> February 2010. The banks which have used this explicit guarantee are as follows: -

- Bank of Scotland
- Barclays
- Clydesdale
- Coventry Building Society
- Investec bank
- Nationwide Building Society
- Rothschild Continuation Finance plc
- Standard Life Bank
- Tesco Personal Finance plc
- Royal Bank of Scotland
- West Bromwich Building Society
- Yorkshire Building Society

#### **NON-SPECIFIED INVESTMENTS:**

**The Council has determined to authorise Non-Specified Investments as follows:**

##### **1. Maturities of ANY period**

	<b>Minimum Credit Criteria</b>	<b>Use</b>	<b>Max % of total investments</b>	<b>Max maturity period</b>
<b>Fixed term deposits with variable rate and variable maturities:-</b> Structured deposits Treasury Bills	Green	In-house	25%	24 months
	UK sovereign rating	In-house and Fund Managers	25%	6 months

## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

#### **Note 15: FINANCIAL INSTRUMENTS (continued)**

#### **(2) Key Note to the Accounts – Counterparty and Investment Criteria (continued)**

##### **2. Maturities in excess of 1 year**

	<b>Minimum Credit Criteria</b>	<b>Use</b>	<b>Max % of total investments</b>	<b>Max maturity period</b>
Term deposits – local authorities	-	In-house	25%	24 months
Term deposits – banks and building societies	Green	In-house	25%	24 months
Certificates of deposits issued by banks and building societies covered by UK Government (explicit) guarantee	Green	In-house	25%	24 months
Certificates of deposit issued by banks and building societies covered by the UK government banking support package (implicit guarantee)	Green	In-house	25%	24 months
Certificates of deposit issued by banks and building societies NOT covered by UK Government support package (implicit guarantee)	Green	In-house	25%	24 months
UK Government Gilts	UK sovereign rating	In-house and Fund Managers	25%	24 months

For both Specified and Non Specified Investments, due to the uncertainty in the financial markets, the Investment Strategy was approved on a similar approach to previous years which will provide officers with the flexibility to deal with any unexpected occurrences. Officers will restrict the pool of available counterparties from this criterion to ensure that security of capital remains the paramount consideration. Currently this involves the use of the Debt Management Account Deposit Facility (DMADF), AAA rated Money Market Funds and institutions with higher credit ratings than those outlined in the investment strategy or which are provided support from the Government. Investments are being maintained short term to also improve the security of investments. This is also applicable to the approved countries.

## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

#### **Note 15: FINANCIAL INSTRUMENTS (continued)**

##### **(2) Key Note to the Accounts – Counterparty and Investment Criteria (continued)**

##### **APPROVED COUNTRIES FOR INVESTMENTS**

AAA

- Canada
- Denmark
- Finland
- France
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland
- U.K.
- U.S.A.

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AAA from Fitch Ratings (or equivalent from other agencies if Fitch does not provide). This list will be added to or deducted from by officers should ratings change in accordance with this policy.

In addition to the minimum sovereign credit rating, no more than 30% will be placed with any individual non-UK country at any time.

# WYRE FOREST DISTRICT COUNCIL

## NOTES TO THE ACCOUNTS 2010/11

### **Note 15: FINANCIAL INSTRUMENTS (continued)**

**(3) Key Note to the Accounts Financial Instruments Balances** – The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments

£000s	Long-Term		Current	
	31 <sup>st</sup> March 2010 £000s	31 <sup>st</sup> March 2011 £000s	31 <sup>st</sup> March 2010 £000s	31 <sup>st</sup> March 2011 £000s Restated
Financial liabilities (principal amount)	35	31	148	148
+ Accrued Interest (note accrued interest will be Short-term)	-	-	-	-
+/- Other accounting adjustments	-	-	-	-
Financial liabilities at amortised cost (1)	35	31	148	148
Financial liabilities at fair value through profit or loss	-	-	-	-
<b>Total Borrowings</b>	<b>35</b>	<b>31</b>	<b>148</b>	<b>148</b>
Other long term liabilities	-	-	-	-
<b>Total Creditors</b>	<b>35</b>	<b>31</b>	<b>148</b>	<b>148</b>
<b>Financial Guarantees</b>	-	-	-	-
<b>Soft loans received</b>	-	-	-	-
<b>Loans and receivables (principal amount)</b>	-	-	15,435	19,126
+ Accrued interest	-	-	14	13
+/- Accounting adjustments	-	-	(2,256)	(1,351)
<b>Loans and receivables at amortised cost</b>	-	-	-	-
<b>Available-for-sale financial assets</b>	-	-	-	-
<b>Financial Assets at fair value through profit or loss</b>	-	-	-	-
<b>Unquoted equity investment at cost</b>	-	-	-	-
<b>Total investments</b>	-	-	<b>13,193</b>	<b>17,788</b>

**Note A** – Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

**Note B**– Fair value is equivalent to carrying value since the Council does not hold any long term investments

## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

#### **Note 15: FINANCIAL INSTRUMENTS (continued)**

##### **Allowance for Credit Losses**

Section 7.4.2.6 of the Code states when financial assets are impaired by credit losses and the authority records the impairment in a separate account (e.g. an allowance account used to record individual impairments or a similar account used to record a collective impairment of assets) rather than directly reducing the carrying amount of the asset, it should disclose a reconciliation of changes in that account during the period for each class of financial assets.

##### **Key Note to the Accounts – Financial instruments Gains/Losses**

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

<b>Financial Instruments Gains and Losses</b>	<b>Financial Assets Loans and Receivables 2009/10 £'000</b>	<b>Financial Assets Loans and Receivables 2010/11 £'000</b>
Impairment adjustments	(1,190)	686
Interest payable and similar charges	(210)	(55)
Interest income	722	413
<b>Net gain/(loss) for the year</b>	<b>(678)</b>	<b>1,044</b>

##### **Note – Fair value of Assets and Liabilities carried at Amortised Cost**

The fair values calculated are as follows:

Investments as at 31<sup>st</sup> March 2011 for fair value purposes

	<b>31st March 2010</b>		<b>31st March 2011</b>	
	<b>Carrying Amount £000s</b>	<b>Fair Value £000s</b>	<b>Carrying Amount £000s</b>	<b>Fair Value £000s</b>
Temporary Investments	13,193	13,193	17,788	17,788

The fair values provided for longer term investments would be based on the premium/discounts calculations; the Council did not hold any such investments as at 31<sup>st</sup> March 2010 or 31<sup>st</sup> March 2011.

##### **Icelandic Bank Defaults –**

In October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The authority had **£9m** deposited across **3** of these institutions, with varying maturity dates and interest rates as follows:



# WYRE FOREST DISTRICT COUNCIL

## NOTES TO THE ACCOUNTS 2010/11

### **Note 15: FINANCIAL INSTRUMENTS (continued)**

	Date invested	Maturity date	Amount invested £000	Interest rate	Carrying Amount £000	Total Impairment £000	Principal Default %
Landsbanki	01/11/07	30/10/08	3,000	6.12%	2,609	201	5.15
Heritable	02/04/08	30/10/08	1,000	6.04%	344	266	15.005
Kaupthing Singer & Friedlander	02/04/08	30/10/08	5,000	6.04%	1,397	2,386	18.00
<b>Total</b>			<b>9,000</b>		<b>4,350</b>	<b>2,853</b>	

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the authority will be determined by the administrators/receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the authority considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of future payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years.

In addition to the items to the issues discussed above, a revenue variance of £165k was shown in the 2009/10 accounts, relating to the creation of a provision for the interest element of the Council's Icelandic investments, included within the claims to the administrators. Under the current assumption this will lead to around a total of £657k of interest being repaid to the Council. However, as a result of the method for accounting for these investments it was considered prudent to include a provision in 2009/2010 of £165k. The impact upon the accounts over the period of the Medium Term financial plan and beyond, as a result of this issue is calculated as follows:

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15 and beyond	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue impact	165	-	(235)	(151)	(108)	(328)	(657)

### **Heritable Bank**

Heritable bank is a UK registered bank under English law. The company was placed in administration on 7th October 2008. The current position on actual payments received and estimated future payouts is as shown in the table below and this council has used these estimates to calculate the impairment based on recovering 84.995p in the £.

Date	Repayment
Received to date	50.095%
April 2011	6.25%
July 2011	5.00%
October 2011	5.00%
January 2012	5.00%
April 2012	5.00%
July 2012	5.00%
October 2012	3.65%
<b>Total Expected Recovery</b>	<b>84.995%</b>

## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

#### **Note 15: FINANCIAL INSTRUMENTS (continued)**

Recoveries are expressed as a percentage of the authority's claim in the administration, which includes interest accrued up to 6th October 2008.

##### **Kaupthing Singer and Friedlander Ltd**

The current position on actual payments received and estimated future payouts is as shown in the table. The authority has decided to recognise an impairment based on it recovering 82p in the £.

<b>Date</b>	<b>Repayment</b>
Received to date	53.0%
May 2011	5.00%
January 2012	8.00%
July 2012	8.00%
January 2013	8.00%
<b>Total Expected Recovery</b>	<b>82.00%</b>

Recoveries are expressed as a percentage of the authority's claim in the administration, which includes interest accrued up to 7th October 2008.

##### **Landsbanki**

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. The current position on estimated future payouts is as shown in the table below and this council has used these estimates to calculate the impairment based on recovering 94.85p in the £.

<b>Date</b>	<b>Repayment</b>
Received to date	0.00%
December 2011	22.17%
December 2012	8.87%
December 2013	8.87%
December 2014	8.87%
December 2015	8.87%
December 2016	8.87%
December 2017	8.87%
December 2018	19.46%
<b>Total Expected Recovery</b>	<b>94.85%</b>

Recovery is subject to the following uncertainties and risks:

- Whilst the Icelandic courts have initially confirmed that deposits enjoy preferential creditor status, this is currently subject to final appeal.

## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

#### **Note 15: FINANCIAL INSTRUMENTS (continued)**

- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the authority's claim, which may be denominated wholly or partly in currencies other than sterling.
- Settlement of the terms of a 'bond' which will allow creditors of old Landsbanki to enjoy rights in New Landsbanki.

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to one third of its liabilities, assuming that the Bond remains at its current value. Based on initial estimates, if preferential creditor status is not achieved the recoverable amount may only be 33p in the £. This would result in an additional impairment charge to revenue of £1.85m.

Recoveries are expressed as a percentage of the authority's claim in the administration, which it is expected may validly include interest accrued up to 30<sup>th</sup> October 2008.

#### **Accounting for Impairment**

Total impairment (principal plus interest not received) recognised in the Comprehensive Income and Expenditure Account is calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the authority until monies are recovered. Following the revised estimated recovery rate for Kaupthing Singer and Friedlander Ltd, detailed in LAAP bulletin 82, a net reduction in impairment of £520,166 has been recognised in the financial statements.

Adjustments to the assumptions will be made in future accounts as more information becomes available.

The expiry of the regulations requires the authority to charge the full impairment in 2010/11.

#### **Note 16: INVENTORIES**

<b>Inventories</b>	<b>31st March</b>	
	<b>2010 £'000</b>	<b>2011 £'000</b>
Inventories - at central stores	74	71
Inventories - other	32	15
Total Balance at Year End	106	86

#### **Note 17: CONSTRUCTION CONTRACTS**

As at the 31<sup>st</sup> March 2011 the Council had no construction contracts.

**WYRE FOREST DISTRICT COUNCIL**

**NOTES TO THE ACCOUNTS 2010/11**

**Note 18: DEBTORS**

Short Term Debtors

<b>Debtors</b>	<b>31st March</b>	
	<b>2010 £'000</b>	<b>2011 £'000</b>
<b>Amounts receivable within one year:</b>		
Government Departments	4,994	843
Sundry Debtors	1,888	2,064
Council Tax and Rate Payers	217	258
	7,099	3,165
<b>Less provision for bad debts:</b>		
Sundry Debtors	603	684
Collection Fund	92	110
	695	794
<b>Total Balance at Year End</b>	<b>6,404</b>	<b>2,371</b>

Long Term Debtors

<b>Long Term Debtors</b>	<b>31st March</b>	
	<b>2010 £'000</b>	<b>2011 £'000</b>
Mortgages	55	41
Assisted Car Purchase Scheme	111	87
<b>Total Balance at Year End</b>	<b>166</b>	<b>128</b>

**Note 19: CASH AND CASH EQUIVALENTS**

The balance of Cash and Cash Equivalents is made up of the following elements:

<b>Cash and Cash Equivalents</b>	<b>2009/10 £'000</b>	<b>2010/11 £'000</b>
Cash held by the Authority	16	14
Bank current accounts	42	(528)
Short-term deposits with building societies	6,538	9,931
<b>Total Balance at Year End</b>	<b>6,596</b>	<b>9,417</b>

**Note 20: ASSETS HELD FOR SALE/OTHER SURPLUS ASSETS**

<b>Assets Held For Sale</b>	<b>2009/10 £'000</b>	<b>2010/11 £'000</b>
Balance at Start of Year	24	2,844
Additions/Enhancements	-	18
Disposals	(24)	(355)
Revaluations	-	73
Impairments	-	(369)
Transfers (to)/ from Other Surplus Assets	2,844	-
<b>Balance at Year End</b>	<b>2,844</b>	<b>2,211</b>

**WYRE FOREST DISTRICT COUNCIL**

**NOTES TO THE ACCOUNTS 2010/11**

**Note 20: ASSETS HELD FOR SALE/OTHER SURPLUS ASSETS (continued)**

<b>Other Surplus Assets</b>	<b>2009/10 £'000</b>	<b>2010/11 £'000</b>
Balance at Start of Year	2,563	1,119
Additions/Enhancements	936	-
Disposals	-	-
Revaluations	66	-
Impairments	-	(114)
Transfers (to)/ from Assets Held for Sale	(2,844)	-
Other Movements in Cost or Valuation	398	-
Balance at Year End	1,119	1,005

Assets included in the Held for Sale category are those which were being actively marketed at the balance sheet date. There are three such assets, sites at Bridge Street, Coventry Street and Worcester Street. It is the Council's intention to market the other surplus properties in due course.

**Note 21: CREDITORS**

<b>Creditors</b>	<b>31st March</b>	
	<b>2010 £'000</b>	<b>2011 £'000</b>
Government Departments	2	1,988
Local Authorities	258	339
Sundry Creditors	2,328	1,497
Precepting Authorities	-	-
Council Taxpayers (overpayments)	102	92
Inland Revenue	261	202
Receipts in Advance	1,124	1,181
Contractors and Other Deposits	3	2
Total Balance at Year End	4,078	5,301

**Note 22: PROVISIONS**

<b>Description of Provision</b>	<b>1st April 2010 £'000</b>	<b>Provided in Year £'000</b>	<b>Payments in Year £'000</b>	<b>31st March 2011 £'000</b>
Severn Trent Superannuation Fund	30	-	(6)	24
Future Severance Costs – WETT - Regulatory Services	-	71	-	71
Icelandic Interest	165	-	(165)	-
Termination Benefits	-	111	-	111
Total All Provisions	195	182	(171)	206

## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

#### **Note 22: PROVISIONS (continued)**

The Severn Trent Superannuation Fund consists of income received from Severn Trent pending its payment to Worcestershire County Council, the Superannuation Fund managers for the Council.

The Provision for Future Severance Costs is in respect of this Council's share of the known costs of restructuring decisions made in 2010/11 in relation to the WETT Shared Service for Regulatory Services but not to be implemented until 2011/12. The separate Provision for Termination Benefits is in respect of 5 former employees made redundant in 2011/12 as part of service review decisions taken before the 31<sup>st</sup> March 2011.

The Provision for Icelandic Interest, related to the interest element of the Council's Icelandic Investments for 2009/2010 and 2010/2011. This Provision was a prudent approach to reflect that this Council has taken advantage of the prevailing Capital Regulations allowing the deferment of the impairment charges for the interest element of these investments until 2010/11.

No insurance provision is held. An earmarked reserve account in respect of insurance excesses is held and the movement in the year is an increase of £7,732.

#### **Note 23: USABLE CAPITAL RECEIPTS RESERVE**

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement, this Note and also Note 24.

These are capital receipts which are available for financing new capital expenditure but have yet to be applied for that purpose.

<b>Usable Capital Receipts Reserve</b>	<b>31st March</b>	
	<b>2010 £'000</b>	<b>2011 £'000</b>
<b>Balance at 1st April</b>	15,328	11,887
Receipts from Sales of Assets etc.	655	347
Receipts applied for new Capital Expenditure	(4,078)	(2,128)
Contribution of Housing Receipts to the National Pool	(18)	(2)
<b>Balance at 31st March</b>	<b>11,887</b>	<b>10,104</b>

#### **Note 24: UNUSABLE RESERVES**

##### **Revaluation Reserve**

The Revaluation Reserve replaced the Fixed Asset Restatement Account (FARA) from 1<sup>st</sup> April 2007 and contains the unrealised net revaluation gains that have occurred since that date. Gains prior to this date were contained in the FARA that was consolidated within the Capital Financing Account as at 31<sup>st</sup> March 2007 in accordance with SORP guidelines.

**WYRE FOREST DISTRICT COUNCIL**

**NOTES TO THE ACCOUNTS 2010/11**

**Note 24: UNUSABLE RESERVES (continued)**

Revaluation Reserve	31st March	
	2010 £'000	2011 £'000
<b>Balance at 1st April</b>	5,679	11,580
Revaluation Gains	7,036	2,828
Excess Current Value Depreciation over Historic Cost		
Depreciation	(153)	(202)
Impairment written off against prior balances	(982)	(2,155)
Balance written out following disposal	-	(100)
<b>Balance at 31st March</b>	11,580	11,951

**Capital Adjustment Account**

The Capital Adjustment Account reflects the timing difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.

Capital Adjustment Account	31st March	
	2010 £'000	2011 £'000
<b>Balance at 1st April</b>	33,472	33,583
Capital Receipts Applied	4,078	2,128
Depreciation	(1,654)	(1,699)
Impairment Adjustments	(626)	(796)
Direct Revenue Financing	138	12
Repayments of Long Term Debts	(17)	(14)
Appropriation of Minimum Revenue Provision	433	568
Revenue Expenditure Funded From Capital Under Statute	(2,603)	(514)
Disposal of Fixed Assets	(542)	(451)
Capital Grants	751	132
Revaluation Reserve	153	303
<b>Balance at 31<sup>st</sup> March</b>	33,583	33,252

**Financial Instruments Adjustments Account**

This Council has taken advantage of the capital regulations and statutory guidance that allows the impact of the impairments on frozen investments to be deferred until 2010/11. The impairment of the investments along with the accrued interest on the deposits had been transferred to the Financial Instruments Adjustment Account (FIAA) in accordance with LAAP Bulletin 82. The balance on the FIAA was written out in 2010/11.

CIPFA issued an update to LAAP Bulletin 82 in May 2011 that revised the recovery estimates.

## WYRE FOREST DISTRICT COUNCIL

### NOTES TO THE ACCOUNTS 2010/11

#### **Note 24: UNUSABLE RESERVES (continued)**

<b>Financial Instruments Adjustment Account</b> (Relating to Icelandic Investments)	<b>31st March</b>	
	<b>2010 £'000</b>	<b>2011 £'000</b>
<b>Balance at 1st April</b>	(3,316)	(436)
Impairment	565	520
Interest due	560	-
Capitalisation	1,755	-
Balance transferred to General Fund (expiry of regulations)	-	(84)
<b>Balance at 31st March</b>	(436)	-

#### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve shows a substantial shortfall in the benefits earned by past and current employees and the resources available to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

<b>Pensions Reserve</b>	<b>2009/10 £'000</b>	<b>2010/11 £'000</b>
<b>Balance at 1st April</b>	(40,644)	(49,170)
Actuarial gains or losses on pensions assets and liabilities	(7,145)	5,950
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(4,208)	2,180
Employer's pension contributions and direct payments to pensioners payable in the year	2,827	2,511
<b>Balance at 31<sup>st</sup> March</b>	(49,170)	(38,529)

#### Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.



**WYRE FOREST DISTRICT COUNCIL**

**NOTES TO THE ACCOUNTS 2010/11**

**Note 24: UNUSABLE RESERVES (continued)**

<b>Deferred Capital Receipts Reserve</b>	<b>2009/10 £'000</b>	<b>2010/11 £'000</b>
<b>Balance at 1st April</b>	(20)	(20)
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-
Transfer to the Capital Receipts Reserve upon receipt of cash	-	-
<b>Balance at 31<sup>st</sup> March</b>	(20)	(20)

**Collection Fund Adjustment Account**

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

<b>Collection Fund Adjustment Account</b>	<b>2009/10 £'000</b>	<b>2010/11 £'000</b>
<b>Balance at 1st April</b>	27	15
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from Council tax income calculated for the year in accordance with statutory requirements	(12)	5
<b>Balance at 31<sup>st</sup> March</b>	15	20

**Accumulated Absences Account**

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31<sup>st</sup> March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

<b>Accumulated Absences Account</b>	<b>2009/10 £'000</b>	<b>2010/11 £'000</b>
<b>Balance at 1st April</b>	(81)	(172)
Reversal of Opening Balance	81	172
Amounts accrued at the end of the current year	(172)	(57)
<b>Balance at 31<sup>st</sup> March</b>	(172)	(57)

**WYRE FOREST DISTRICT COUNCIL**

**NOTES TO THE ACCOUNTS 2010/11**

**Note 25: CASH FLOW STATEMENT - OPERATING ACTIVITIES**

The cash flows for operating activities include the following items:

<b>Cash Flow Statement – Operating Activities</b>	<b>2009/10 £'000</b>	<b>2010/11 £'000</b>
Interest received	1,168	147
Interest paid	(3)	(2)
Dividends received	-	-
<b>Net cash flows from operating activities</b>	<b>1,165</b>	<b>145</b>

**Note 26: CASH FLOW STATEMENT - INVESTMENT ACTIVITIES**

<b>Cash Flow Statement – Investment Activities</b>	<b>2009/10 £'000</b>	<b>2010/11 £'000</b>
Purchase of property, plant and equipment, investment property and intangible assets	2,684	3,571
Purchase of short-term and long-term investments	-	446
Other payments for investing activities	1,773	1,012
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(655)	(355)
Proceeds from short-term and long-term investments	(7,921)	(147)
Other receipts from investing activities	(1,727)	(832)
<b>Net cash flows from investing activities</b>	<b>(5,846)</b>	<b>3,695</b>

**Note 27: CASH FLOW STATEMENT - FINANCING ACTIVITIES**

<b>Cash Flow Statement – Financing Activities</b>	<b>2009/10 £'000</b>	<b>2010/11 £'000</b>
Cash receipts of short and long-term borrowing	(60)	-
Other receipts from financing activities	-	(1,495)
Repayments of short and long-term borrowing	3	4
Other payments for financing activities	3,177	2
<b>Net cash flows from financing activities</b>	<b>3,120</b>	<b>(1,489)</b>

**Note 28: AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS – SEGMENTAL REPORTING**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)

# WYRE FOREST DISTRICT COUNCIL

## NOTES TO THE ACCOUNTS 2010/11

### **Note 28: AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS – SEGMENTAL REPORTING (continued)**

- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to directorates.

The following tables detail the Council's net revenue expenditure by service as reported under management reporting arrangements and how this reconciles to the comprehensive income and expenditure statement and the subjective analysis within the Comprehensive Income and Expenditure Statement on page 16.

<b>2010/11</b>	<b>Resources</b>	<b>Chief Executive</b>	<b>Community &amp; Partnership</b>	<b>Planning &amp; Regulatory</b>	<b>Legal &amp; Corporate</b>	<b>Other</b>	<b>Total Net Expenditure by Service</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£'000</b>	<b>£000</b>	<b>£000</b>
Fees, Charges & Other Service Income	(8,623)	(35)	(957)	(3,182)	(259)	-	(13,056)
Recharges	(4,410)	(267)	(3,154)	(3,030)	(2,494)	-	(13,355)
Government Grants	(38,155)	-	-	(6)	-	-	(38,161)
<b>Total Income</b>	<b>(51,188)</b>	<b>(302)</b>	<b>(4,111)</b>	<b>(6,218)</b>	<b>(2,753)</b>	<b>-</b>	<b>(64,572)</b>
Employee Expenses	13,454	768	2,883	4,620	1,436	-	23,161
Other Service Expenses	42,144	98	4,404	3,983	1,969	-	52,598
Support Service Recharges	1,636	627	1,004	1,303	525	-	5,095
<b>Total Expenditure</b>	<b>57,234</b>	<b>1,493</b>	<b>8,291</b>	<b>9,906</b>	<b>3,930</b>	<b>-</b>	<b>80,854</b>
<b>Net Cost of Services</b>	<b>6,046</b>	<b>1,191</b>	<b>4,180</b>	<b>3,688</b>	<b>1,177</b>	<b>-</b>	<b>16,282</b>

<b>2009/10 Comparative Figures</b>	<b>Resources</b>	<b>Chief Executive</b>	<b>Community &amp; Partnership</b>	<b>Planning &amp; Regulatory</b>	<b>Legal &amp; Corporate</b>	<b>Other</b>	<b>Total Net Expenditure by Service</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£'000</b>	<b>£000</b>	<b>£000</b>
Fees, Charges & Other Service Income	(1,426)	(152)	(1,139)	(2,908)	(302)	(913)	(6,840)
Recharges	(5,735)	(883)	(2,416)	(4,020)	(2,315)	-	(15,369)
Government Grants	(36,554)	-	-	(4)	-	-	(36,558)
<b>Total Income</b>	<b>(43,715)</b>	<b>(1,035)</b>	<b>(3,555)</b>	<b>(6,932)</b>	<b>(2,617)</b>	<b>(913)</b>	<b>(58,767)</b>
Employee expenses	5,796	1,591	2,852	5,511	1,439	-	17,189
Other Service Expenses	42,616	337	4,630	3,858	2,411	658	54,510
Support Service Recharges	602	745	923	1,316	435	-	4,021
<b>Total Expenditure</b>	<b>49,014</b>	<b>2,673</b>	<b>8,405</b>	<b>10,685</b>	<b>4,285</b>	<b>658</b>	<b>75,720</b>
<b>Net Cost of Services</b>	<b>5,299</b>	<b>1,638</b>	<b>4,850</b>	<b>3,753</b>	<b>1,668</b>	<b>(255)</b>	<b>16,953</b>

Note: The Other column in the preceding table for 2009/10 refers to exceptional items (eg significant VAT refund). There were no such items in 2010/11

# WYRE FOREST DISTRICT COUNCIL

## NOTES TO THE ACCOUNTS 2010/11

### **Note 28: AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS – SEGMENTAL REPORTING (continued)**

#### **Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement**

	<b>2009/10 £000</b>	<b>2010/11 £000</b>
Net Cost of Service from Service Analysis	16,953	16,282
Add amounts not reported to management (see table below)	(460)	(4,633)
Amounts not included in the Comprehensive Income and Expenditure Statement (see table below)	(117)	(183)
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>16,376</b>	<b>11,466</b>

#### **Reconciliation to Subjective Analysis (Surplus) deficit on the provision of services**

<b>2010/11</b>	<b>Directorate Analysis £'000</b>	<b>Not reported to Management £'000</b>	<b>Not included in CIES £'000</b>	<b>Net Cost of Services £'000</b>	<b>Corporate Amounts £'000</b>	<b>Total £'000</b>
Fees, Charges & Other Service Income	(13,056)	(634)	592	<b>(13,098)</b>	-	<b>(13,098)</b>
Recharges	(13,354)	-	-	<b>(13,354)</b>	-	<b>(13,354)</b>
Surplus on Trading Account & Investment Properties	-	-	-	-	(303)	<b>(303)</b>
Changes in Fair Value of Investment Properties	-	-	-	-	(988)	<b>(988)</b>
Other Gains & Losses	-	-	-	-	(14)	<b>(14)</b>
Interest & Investment Income	-	-	-	-	(143)	<b>(143)</b>
Icelandic Investments Interest	-	-	-	-	-	-
Adjustment	-	-	-	-	(270)	<b>(270)</b>
Income from Council Tax	-	-	-	-	(7,382)	<b>(7,382)</b>
Government Grants and Contributions	(38,161)	-	-	<b>(38,161)</b>	(8,526)	<b>(46,687)</b>
<b>Total Income</b>	<b>(64,571)</b>	<b>(634)</b>	<b>592</b>	<b>(64,613)</b>	<b>(17,626)</b>	<b>(82,239)</b>
Employee expenses	23,162	(6,802)	-	<b>16,360</b>	-	<b>16,360</b>
Other Service Expenses	52,597	2,803	(775)	<b>54,625</b>	-	<b>54,625</b>
Support Service Recharges	5,094	-	-	<b>5,094</b>	-	<b>5,094</b>
Long Term Investments	-	-	-	-	(686)	<b>(686)</b>
Impairment Adjustments	-	-	-	-	-	-
Pension Interest Cost & Expected Return	-	-	-	-	2,112	<b>2,112</b>
Interest Payments	-	-	-	-	55	<b>55</b>
Parish Precepts	-	-	-	-	459	<b>459</b>
Payment to Housing Capital	-	-	-	-	-	-
Receipts Pool	-	-	-	-	2	<b>2</b>
Capitalisation of Icelandic Investments	-	-	-	-	-	-
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	119	<b>119</b>
<b>Gross Cost of Services</b>	<b>80,853</b>	<b>(3,999)</b>	<b>(775)</b>	<b>76,079</b>	<b>2,061</b>	<b>78,140</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>16,282</b>	<b>(4,633)</b>	<b>(183)</b>	<b>11,466</b>	<b>(15,565)</b>	<b>(4,099)</b>

# **WYRE FOREST DISTRICT COUNCIL**

## **NOTES TO THE ACCOUNTS 2010/11**

### **Note 28: AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS – SEGMENTAL REPORTING (continued)**

<b>2009/10 Comparative Figures</b>	<b>Directorate Analysis £'000</b>	<b>Not reported to Management £'000</b>	<b>Not included in CIES £'000</b>	<b>Net Cost of Services £'000</b>	<b>Corporate Amounts £'000</b>	<b>Total £'000</b>
Fees, Charges & Other Service Income	(6,841)	(879)	502	(7,218)	-	(7,218)
Recharges	(15,369)	-	-	(15,369)	-	(15,369)
Surplus on Trading Account & Investment Properties	-	-	-	-	(271)	(271)
Changes in Fair Value of Investment Properties	-	-	-	-	-	-
Other Gains & Losses	-	-	-	-	(25)	(25)
Interest & Investment Income	-	-	-	-	(161)	(161)
Icelandic Investments Interest Adjustment	-	-	-	-	(561)	(561)
Income from Council Tax	-	-	-	-	(7,198)	(7,198)
Government Grants and Contributions	(36,558)	-	-	(36,558)	(9,113)	(45,671)
<b>Total Income</b>	<b>(58,768)</b>	<b>(879)</b>	<b>502</b>	<b>(59,145)</b>	<b>(17,329)</b>	<b>(76,474)</b>
Employee expenses	17,190	(1,461)	-	15,729	-	15,729
Other Service Expenses	54,511	1,880	(619)	55,772	-	55,772
Support Service Recharges	4,020	-	-	4,020	-	4,020
Long Term Investments	-	-	-	-	-	-
Impairment Adjustments	-	-	-	-	(565)	(565)
Pension Interest Cost & Expected Return	-	-	-	-	210	210
Interest Payments	-	-	-	-	3,035	3,035
Parish Precepts	-	-	-	-	445	445
Payment to Housing Capital Receipts Pool	-	-	-	-	18	18
Capitalisation of Icelandic Investments	-	-	-	-	1,755	1,755
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	(88)	(88)
<b>Gross Cost of Services</b>	<b>75,721</b>	<b>419</b>	<b>(619)</b>	<b>75,521</b>	<b>4,810</b>	<b>80,331</b>
<b>Surplus or deficit on the provision of services</b>	<b>16,953</b>	<b>(460)</b>	<b>(117)</b>	<b>16,376</b>	<b>(12,519)</b>	<b>3,857</b>

Explanatory Note on unreported/excluded items included in previous two tables:

Items not reported to management are in respect of technical accounting adjustments not known until year-end, such as impairment and pension adjustments. These cannot be made until the relevant guidance is issued/ information known.

Items not included in the Comprehensive Income and Expenditure Statement are in respect of the remapping of the presentation of Grants and Reserves to comply with The Code.

### **Note 29: ACQUIRED AND DISCONTINUED OPERATIONS**

There are no acquired or discontinued operations for 2010/11.

### **Note 30: TRADING OPERATIONS/AGENCY SERVICES**

The Authority has Markets and Industrial Estate Trading Operations, where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations. Details of all of these units in 2010/11 are as follows:

**WYRE FOREST DISTRICT COUNCIL**

**NOTES TO THE ACCOUNTS 2010/11**

**Note 30: TRADING OPERATIONS/AGENCY SERVICES (continued)**

Trading Operations	2009/2010 £'000	2010/2011 £'000
<b>Market Undertakings</b> The Authority manages a Market operation in Kidderminster Town Centre, with services provided by a private sector contractor.		
Income	(10)	(10)
Expenditure	8	8
Net (Income)/Expenditure	( 2)	(2)
<b>Industrial Estates</b> The Authority provides ground leases on 4 industrial estates. It also lets and manages 27 units on 1 further small industrial estate, comprising of starter units for which an initial rent free incentive may be offered		
Income	(613)	(528)
Expenditure	344	227
Net (Income)/Expenditure	(269)	(301)

**Note 31: AGENCY SERVICES**

There was no Agency income or expenditure to disclose in 2010/11.

**Note 32: ROAD CHARGING SCHEMES**

This Council does not operate a road charging or workplace charging scheme under the Transport Act 2000. Operation of its on-street Civil Enforcement Parking regime is under the Traffic Management Act 2004 and is outside the scope of this note.

**Note 33: POOLED BUDGETS**

This Council does not have any pooled budget arrangements.

**Note 34: MEMBERS ALLOWANCES**

Members' Allowances paid during the year are as follows:

Description of Allowance	2009/2010 £	2010/2011 £
Allowances	326,776	330,500
Travel & Subsistence	4,867	2,920
Telephone	12,889	14,760
Total Members Allowances	344,532	348,180

# WYRE FOREST DISTRICT COUNCIL

## NOTES TO THE ACCOUNTS 2010/11

### **Note 35: OFFICERS' REMUNERATION**

The number of officers whose remuneration for the year exceeded £50,000 (including salary, redundancy payments and other minor allowances):

<b>Total Remuneration</b>	<b>2009/2010</b>	<b>2010/2011</b>
£50,000 - £54,999	1	1
£55,000 - £59,999	-	-
£60,000 - £64,999	-	-
£65,000 - £69,999	-	-
£70,000 - £74,999	2	4
£75,000 - £79,999	2	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	1
£120,000 - £124,999	-	-
£125,000 - £129,999	-	-
£130,000 - £134,999	-	-
£135,000 - £139,999	-	-
£140,000 - £144,999	-	-
£145,000 - £149,999	-	-
£150,000 - £154,999	-	-
£155,000 - £159,999	-	-
£160,000 - £164,999	-	-
£165,000 - £169,999	-	-
£170,000 - £174,999	-	-
£175,000 - £179,999	1	-

The following table details the remuneration of Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 per year:

<b>Position/Post Holder</b>	<b>Salary (including fees &amp; allowances)</b>	<b>Compensation for loss of Office</b>	<b>Benefits In kind</b>	<b>Total Remuneration Excl pension contributions 2010/2011</b>	<b>Pension Contribution</b>	<b>Total Remuneration Incl pension Contributions 2010/2011</b>
£	£	£	£	£	£	£
Chief Executive Mr I Miller *	114,835	-	2,403	117,238	30,672	147,910
Director of Resources Mr D Buckland	72,064	-	2,383	74,447	20,712	95,159
Director of Legal and Corporate Services Mrs C Newlands	71,917	-	2,383	74,300	20,712	95,012
Director of Planning and Regulatory Services Mr M Parker	71,917	-	2,383	74,300	20,712	95,012
Director of Community and Partnership Services Mrs L Collis	71,917	-	2,383	74,300	20,712	95,012
Senior Administration Officer Mr P Lewis	30,990	17,489	1,538	50,017	8,755	58,772
<b>Total</b>	<b>433,640</b>	<b>17,489</b>	<b>13,473</b>	<b>464,602</b>	<b>122,275</b>	<b>586,877</b>

\*In addition to the above salary, Mr I Miller received £3,888 in 2010/11 as remuneration for his role as Elections Returning Officer for the Wyre Forest District.

# WYRE FOREST DISTRICT COUNCIL

## NOTES TO THE ACCOUNTS 2010/11

### **Note 36: EXTERNAL AUDIT COSTS**

<b>Fees payable to the Council's External Auditors</b>	<b>2009/10 £</b>	<b>2010/11 £</b>
External Audit Services / Statutory Inspection	121,934	121,927
Certification of Grant Claims	29,063	26,431
Corporate Plan Development	-	-
<b>Total External Audit Costs</b>	<b>150,997</b>	<b>148,358</b>

### **Note 38: GRANT INCOME**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11.

<b>Grant Income</b>	<b>2009/10 £'000</b>	<b>2010/11 £'000</b>
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	1,497	1,023
Area Based Grant	381	327
Other Capital Grants	751	132
<b>Total Credited to Taxation and Non Specific Grant Income</b>	<b>2,629</b>	<b>1,482</b>
<b>Credited to Services</b>		
Housing Benefit Subsidy	35,312	36,990
Housing Benefit Admin	976	976
Concessionary Travel	295	304
Worcestershire Hub Contribution	200	188
NNDR Cost of Collection Allowance	140	139
Homelessness	77	128
Regulatory Shared Services - Reimbursement of costs incurred	-	101
Safer & Stronger Communities	25	79
Planning delivery Grant	196	76
Recycling enhancement grant	135	55
Sports joint delivery plan	14	36
Local Housing Allowance Subsidy	22	34
Land Charges Grant	-	34
Best Foot Forward	26	31
Community Safety Partnership	20	24
District Council Support Package	35	20
Wyre Forest Matters	33	20
Air Pollution	-	19
Future Jobs Fund	-	16
Baxter Gardens	-	15
Grazing Animal Project	19	15
The Dance Project	15	14
Community Sports Coach Scheme	20	14
Rural Payments agency	17	14
Rangers Lottery Funding	40	-
Rangers educational events	-	10
Britanica Gardens - Section 106	10	10
Active Communities Grant	56	-
Business Rate Deferral Scheme	18	-
DEFRA Recycling grant	41	-
Bewdley Museum HLF	13	-
Business Start up Grant contribution	10	-
Christmas lights contribution	10	-
Stourport Forward	30	-
Other Grants	113	89
<b>Total Grant Income Credited to Services</b>	<b>37,918</b>	<b>39,451</b>



## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

#### **Note 38: GRANT INCOME (continued)**

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached that may require the monies to be returned to the giver.

The balances at the year end are as follows:

<b>Revenue Grants - Receipts in Advance</b>	<b>2010/11 £'000</b>
Rangers Lottery Funding	14
The Dance Project	18
Community Sports Coach Scheme	16
Brit Gardens/Watery Lane - Section 106	36
Stourvale/Oxbow Way - Section 106	26
Employment support allowance	12
Community Safety Partnership	31
Safer & Stronger Communities	48
Wyre Forest Matters	18
Health and wellbeing funding	22
Master plan funding	50
Other	50
<b>Total Revenue Grants - Receipts in Advance</b>	<b>341</b>

<b>Capital Grants - Receipts in Advance</b>	<b>2010/11 £'000</b>
Community Safety Grant income	3
Franch Street - Section 106	70
<b>Total Capital Grants - Receipts in Advance</b>	<b>73</b>

#### **Note 39: RELATED PARTY TRANSACTIONS**

The Council is required to disclose material transactions with related parties, that is, bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits).

# **WYRE FOREST DISTRICT COUNCIL**

## **NOTES TO THE ACCOUNTS 2010/11**

### **Note 39: RELATED PARTY TRANSACTIONS (continued)**

Transactions for the period 1<sup>st</sup> April 2010 to 31<sup>st</sup> March 2011 are as follows:

<b>Organisation</b>	<b>Member/Senior Officer</b>	<b>Income £'000</b>	<b>Expenditure £'000</b>
Community Housing Group	Cllr J Aston , Cllr A Buckley, Cllr N Gale, Cllr J Greener, Cllr M Kelly, Cllr G Yarranton	48	1,100
Age Concern	Cllr M Salter	-	8
Bewdley Development Trust	Cllr S Clee, Economic Development & Tourism Manager	-	10
Bewdley Museum Management Committee	Cllr S Clee, Cllr J Greener, Cllr T Onslow	-	1
Citizens' Advice Bureau	Cllr D Millis	7	45
Kidderminster Town Centre Partnership	Cllr J Baker, Cllr P Harrison, Cllr K Prosser	-	5
Local Government Association	Cllr F Oborski, Cllr H Martin, Cllr D Godwin, Cllr J Phillips	-	28
Relate - Worcestershire	Cllr B Glass	-	3
Stourport Forward	Cllr M Salter, Economic Development & Tourism Manager	-	7
Stourport Sports Club	Director of Community & Partnership Services, Community Development Manager	26	20
West Midlands Leaders Board	Cllr J-P Campion	-	15
Worcestershire County Council (excludes precepts)	Cllr M Ahmed, Cllr J-P Campion, Cllr S Clee, Cllr N Desmond, Cllr, M Hart, Cllr A Hingley, Cllr F Oborski, Cllr J Parish, Cllr J Thomas, Cllr G Yarranton	394	2,271
Wyre Forest Nightstop & Mediation	Cllr M J Hart, Cllr T L Onslow, Cllr H E Dyke, Research & Policy Officer	-	3

### **Other Public Bodies:**

The Council collects precepts on behalf of Worcestershire County Council, Worcestershire Police Authority, Hereford and Worcester Fire & Rescue Authority, and the Town and Parish Councils.

Some Wyre Forest District Council Councillors are also members of these bodies – major transactions between Wyre Forest District Council and other Parishes are shown below:

<b>Parish Councils</b>	<b>Numbers of Members</b>	<b>Income £'000</b>	<b>Payments (excl. precepts) £'000</b>
Kidderminster Charter Trustees	23	-	3
Stourport Town Council	7	1	7
Bewdley Town Council	3	4	15

# **WYRE FOREST DISTRICT COUNCIL**

## **NOTES TO THE ACCOUNTS 2010/11**

### **Note 39: RELATED PARTY TRANSACTIONS (continued)**

#### **Jointly Controlled Operations:**

The Council is a partner in the Worcestershire Regulatory Shared Service Joint Committee, which is a jointly controlled operation hosted by Bromsgrove District Council. Under this shared service the Council paid £726,129 to Bromsgrove District Council, and received £71,364 from them for recharges. At 31<sup>st</sup> March 2011 £29,994.61 was owed by Bromsgrove District Council.

### **Note 40: CAPITAL EXPENDITURE AND CAPITAL FINANCING**

<b>Capital Expenditure and Capital Financing</b>	<b>2009/10 £'000</b>	<b>2010/11 £'000</b>
Opening Capital Financing Requirement	1,829	1,697
Operational Assets	1,715	2,152
Non-operational Assets	950	1,435
Revenue Expenditure Financed from Capital Under Statute	3,453	1,148
Capital Receipts	(4,078)	(2,128)
Government Grants and other Contributions	(1,601)	(765)
Sums Set Aside from Revenue	(571)	(580)
Closing Capital Financing Requirement	1,697	2,959
<b>Explanation of movements in the year:</b>		
Increase/(decrease) in underlying requirement to borrow (unsupported by Government financial assistance)	(132)	1,262
Increase/(decrease) in Capital Financing Requirement	(132)	1,262

### **Note 41: LEASES**

The authority was committed at 31<sup>st</sup> March 2011 to making payments of £148,800 under operating leases in 2011/12, comprising the following elements:

<b>Leases</b>	<b>31<sup>st</sup> March 2010</b>		<b>31<sup>st</sup> March 2011</b>	
	<b>Land and Buildings £'000</b>	<b>Other Operating Leases £'000</b>	<b>Land and Buildings £'000</b>	<b>Other Operating Leases £'000</b>
Not later than one year	-	3	-	-
Later than one year and not later than five years	110	-	110	5
Later than five years	34	-	34	-
<b>Total</b>	<b>144</b>	<b>3</b>	<b>144</b>	<b>5</b>

## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

#### **Note 41: LEASES (continued)**

##### **Other Operating Leases**

The Council has previously provided vehicles, equipment and systems through operating leases. Following the introduction of the Prudential Code there were no assets acquired by lease during 2010/11. The amount paid under outstanding operating lease obligations in 2010/11 was £7,987 (2009/10 £14,484).

##### **Land and Buildings**

The Council leases an automated public convenience in Stourport and land at Rushock Trading Estate, accounted for as operating leases. The rentals payable in 2010/11 were £7,061 for the automated public convenience (2009/10 £7,061) and £27,240 for land at Rushock Trading Estate (2009/10 £27,240). In addition, the Council leases Duke House, Clensmore Street on a short-term lease. The amount payable in 2010/11 was £110,000 (2009/10 £110,000).

#### **Note 42: PRIVATE FINANCE INITIATES (PFI) AND SIMILAR CONTRACTS**

The Council has no PFI or similar contracts.

#### **Note 43: FIXED ASSET VALUATIONS**

The Council's Land, Buildings, Community Assets and Surplus Assets are valued on a five year rolling programme. Investment Properties and Assets Held for Sale are subject to an annual revaluation. In addition, all residual values are reviewed annually. The current asset values used in the accounts are based on valuations provided by V Bendall, MRICS, P Harris, MRICS (the Council's Estates Surveyors) and Bruton Knowles, Independent Valuers. The valuations of assets carried at current value are analysed in the table below. This table does not include Vehicles, Plant and Equipment or Assets under Construction as these assets are carried at Depreciated Historical Cost and are not, therefore, subject to revaluation.

Valuations of fixed assets carried at current value:

Description	Land and Buildings £'000	Community Assets £'000	Investment Properties £'000	Surplus Assets £'000	Assets Held for Sale £'000	Total £'000
Valued at historical cost	388	151	0	0	966	1,505
Valued at current value in:						
2010/2011	19,181	509	7,893	1,005	1,245	29,833
2009/2010	10,797	0	0	0	-	10,797
2008/2009	0	104	0	0	-	104
2007/2008	144	0	7	0	-	151
Total	30,510	764	7,900	1,005	2,211	42,390

## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

#### **Note 44: CAPITALISATION OF BORROWING COSTS**

The costs of borrowing to fund capital expenditure were not capitalised during the financial year.

#### **Note 45: TERMINATION BENEFITS**

The Council terminated the contracts of 4 employees in 2010/11, incurring liabilities of £69,791 (2009/10 £396,511). Two separate Provisions have been made for Termination Benefits; the first is in respect of 5 former employees made redundant in the first quarter of 2011/12 as part of internal service review decisions taken before the 31<sup>st</sup> March 2011, incurring liabilities of £110,994). The second provision of £70,605 is in respect of this Council's share of the known costs of restructuring in relation to the WETT Shared Service for Regulatory Services; the decision was made in 2010/11 but not implemented until early 2011/12. See Note 22 - Provisions also.

#### **Note 46: PENSION COSTS/ DEFINED CONTRIBUTION SCHEMES**

As part of the terms and condition of employment of its officers, the Council makes contributions towards the costs of post employment benefits. Although these benefits will not be payable until the employee retires, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered locally by Worcestershire County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

##### **Transactions Relating to Retirement Benefits**

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out in the Movement in Reserves Statement via the General Fund. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	<b>2009/10 £'000</b>	<b>2010/11 £'000</b>
<b>Net Cost of Service</b>		
Current Service Cost	902	1,265
Past Service and Curtailment Costs	78	(5,557)
<b>Net Operating Expenditure</b>		
Expected Return on Assets	(2,287)	(3,400)
Interest on Pension Liabilities	5,322	5,512
<b>Net Change to Income &amp; Expenditure Account</b>	4,015	(2,180)
Movement on Pension Reserve	(1,381)	4,691
<b>Actual amount charged against council tax for pensions in the year</b>		
Employers Contribution payable to the scheme	2,634	2,511

## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

#### **Note 46: PENSION COSTS/ DEFINED CONTRIBUTION SCHEMES (continued)**

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial gains of £5,950,000 (losses of £7,145,000 2009/10) were also included in the Statement.

The movement in the net pension liability for the year to 31<sup>st</sup> March is as follows:

	<b>2009/10 £'000</b>	<b>2010/11 £'000</b>
Net pension liability at 1 <sup>st</sup> April	(40,644)	(49,170)
Current Service Costs	(902)	(1,265)
Employer contributions	2,634	2,511
Benefits Paid	193	-
Past Service Costs/Gains/Curtailment Costs	(271)	5,557
Interest on Pension Liabilities	(5,322)	(5,512)
Expected return on assets	2,287	3,400
Actuarial Gain/Loss	(7,145)	5,950
Net Pension Liability at 31 <sup>st</sup> March	(49,170)	(38,529)

In the UK budget statement on 22<sup>nd</sup> June 2010 the Chancellor announced that with effect from 1<sup>st</sup> April 2011 public service pensions would be up-rated in line with Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing the Council's liabilities in the Pension Fund by £5,557,000 and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund.

The movement in the fair value of pension scheme assets for the year to 31<sup>st</sup> March is as follows:

	<b>2009/2010 £'000</b>	<b>2010/2011 £'000</b>
Scheme Assets at 1 <sup>st</sup> April	36,185	50,478
Expected Return	2,287	3,400
Actuarial Gain / (Loss)	13,900	1,085
Employer Contribution	2,827	2,511
Employee Contribution	501	470
Benefits Paid	(5,222)	(4,165)
Scheme Assets at 31 <sup>st</sup> March	50,478	53,779

The expected return on scheme assets is determined by considering the expected return available on the assets underlying the current investment policy. Expected yields on fixed investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £4,140,000 (2009/10 gains of £16,187,000).

## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

#### **Note 46: PENSION COSTS/ DEFINED CONTRIBUTION SCHEMES (continued)**

##### **Scheme History**

The underlying assets and liabilities for retirement benefits attributable to the council at 31<sup>st</sup> March are as follows:

	<b>31st March 2007 £'000</b>	<b>31st March 2008 £'000</b>	<b>31st March 2009 £'000</b>	<b>31<sup>st</sup> March 2010 £'000</b>	<b>31<sup>st</sup> March 2011 £'000</b>
Market Value of Assets	50,740	47,124	36,185	50,478	53,779
Liabilities	(81,115)	(89,466)	(76,829)	(99,648)	(92,308)
Net Liabilities	(30,375)	(42,342)	(40,644)	(49,170)	(38,529)

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement benefits). The total deficit of £38,529,000 has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of £23,692,000.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the schemes independent actuaries, Mercer Human Resource Consulting Ltd.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in 2011/12 is £2,553,000.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions including mortality rates and salary levels. The last full valuation of the scheme was as at 1<sup>st</sup> April 2010.

The Principal assumptions used by the actuary have been:

<b>Long term expected rate of return on assets</b>		
	<b>2009/10 %</b>	<b>2010/11 %</b>
Equities	7.50	7.50
Government Bonds	4.50	4.40
Other Bonds	5.20	5.10
Property	N/A	N/A
Cash/Liquidity	0.50	0.50
Other	N/A	N/A

# WYRE FOREST DISTRICT COUNCIL

## NOTES TO THE ACCOUNTS 2010/11

**Note 46: PENSION COSTS/ DEFINED CONTRIBUTION SCHEMES (continued)**

<b>Financial Assumptions</b>		
	<b>2009/10 %</b>	<b>2010/11 %</b>
Rate of Inflation (RPI)	3.30	3.40
Rate of Inflation (CPI)	2.80	2.90
Rate of increase in salaries	4.80	4.40
Rate of increase in pensions	3.30	2.90
Discount Rate on liabilities	5.60	5.50
Take up of option to convert annual pension into retirement lump sum	50	50

<b>Mortality Rates</b>		
	<b>2009/2010 Yrs</b>	<b>2010/2011 Yrs</b>
Longevity at 65 of current pensioners		
Male	21.2	22.0
Female	24.1	24.5
Longevity at 65 of future pensioners		
Male	22.2	23.4
Female	25.0	26.1

The schemes assets consist of the following categories, by proportion of the total assets held:

<b>Split of assets between investment categories</b>		
	<b>2009/2010 %</b>	<b>2010/2011 %</b>
Equities	92.30	92.70
Government Bonds	2.80	2.60
Other Bonds	3.90	3.80
Cash/Liquidity	1.00	0.90

### **History of Experience of Gains and Losses**

The actuarial gains and losses identified as movements on the Pension Reserve for the current and recent years can be analysed into the following categories, measured as a percentage of assets or liabilities at 31<sup>st</sup> March each year:

	<b>31st March 2007 %</b>	<b>31st March 2008 %</b>	<b>31st March 2009 %</b>	<b>31st March 2010 %</b>	<b>31st March 2011 %</b>
Difference between expected and actual return on assets	0.2	(14.5)	(40.2)	27.5	2.0
Experience gains and losses on liabilities	-	0.4	-	-	4.9



## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

#### **Note 46: PENSION COSTS/ DEFINED CONTRIBUTION SCHEMES (continued)**

##### **Pensions Liability Relating to Share Services**

For the Regulatory Shared Services governed by Joint Committee this Council transferred its staff to the host authority – Bromsgrove District Council on a fully funded basis for pension's purchases. The share service was admitted to the pensions fund as a ghost admitted body, as such any liability or surplus that accrues is the responsibility of the partners to those shared services.

The table below shows the overall deficit of the admitted bodies together with this Council's share as defined by the partnership legal agreement.

	<b>2010/11 £'000</b>
Present value of liabilities	16,973
Fair value of assets	(17,200)
<b>(Surplus)/Deficit in scheme</b>	<b>(227)</b>
WFDC Share – 10.82%	(25)

Further information can be found in the Worcestershire County Council's Pension Fund Annual Report which is available upon request from Mr. P Birch C.P.F.A., Director of Resources, Worcestershire County Council, County Hall, Spetchley Road, Worcester, WR5 2NP. [www.worcestershire.gov.uk](http://www.worcestershire.gov.uk)

#### **Note 47: CONTINGENT LIABILITIES**

Upon expiry of the lease for the Duke House Offices, to coincide with the New Headquarters project, there may be a contingent liability in respect of dilapidations. However, it is not possible to quantify, if any, what the liability of any potential charges dilapidations would be at this time.

The Council has recently been successful in defending the "priority" status in relation to the Council's investment with Landsbanki hf. This ruling has been appealed and in due course will be considered by the Icelandic Supreme Court, the Financial instruments note provides full details, however, if the status is lost then there could be a charge to the revenue account of around £1.85m.

The Council has a number of Service Reviews in progress as part of the Wyre Forest Forward Work Programme; these are programmed over the medium term financial strategy. It is highly likely that these Service Reviews will result in reductions in employee numbers and a reduction in overall service costs necessitating the payment of Severance Costs that may be classed as future Termination Benefits. As the exact details of these future severance costs are not yet known, they are a contingent liability applicable in particular to the Revenues and Benefits Service, Waste Management for 2012/13 service cost reductions, although there are several other smaller service reviews for which this contingent liability may also be relevant. The Council has recognised the need to resource the cost of implementing such Cabinet Proposals and has an approved 2011/12 budget of £700,000 towards funding such one-off costs.

## **WYRE FOREST DISTRICT COUNCIL**

### **NOTES TO THE ACCOUNTS 2010/11**

#### **Note 48: CONTINGENT ASSETS**

The Authority does not have any contingent assets as at 31<sup>st</sup> March 2011.

#### **Note 49: TRUST FUNDS**

The Council acts as trustee for the Kidderminster Educational Foundation. This Fund is invested in the money market and included within the Balance Sheet. The capital balance invested during the year was £271,209 (£271,209 at 31<sup>st</sup> March 2010) whilst the revenue balance was £8,791 at 31<sup>st</sup> March 2011 (£18,364 at 31<sup>st</sup> March 2010).

The Council became trustee of the Bewdley Museum Trust in May 1975, and operates the Museum as a local service under powers contained in the Public Libraries and Museums Act 1964. The Council retains the shop profits to partially offset the gross expenditure incurred in running the Museum. There is, therefore, no income or expenditure accruing directly to the Trust.

#### **Note 50: BUILDING REGULATIONS CHARGEABLE AND NON-CHARGEABLE ACCOUNT**

There is a change to the end of year reporting requirements relating to Building Regulations. The Building (Local Authority Charges) Regulations 2010 require local authorities to publish a financial statement relating to the Building Regulations Chargeable and Non-chargeable Account by 30<sup>th</sup> September each year. Previously, the Chargeable and Non-chargeable accounts were operated under the Building (Local Authority Charges) Regulations 1998. Outturn for 2009/10 is also shown below for comparison purposes.

	<b>2009/10</b>			<b>2010/11</b>		
	<b>Chargeable £</b>	<b>Non- Chargeable £</b>	<b>Total £</b>	<b>Chargeable £</b>	<b>Non- Chargeable £</b>	<b>Total £</b>
<b>Expenditure</b>						
Employees	130,760	92,120	222,880	130,320	92,250	222,570
Premises	13,330	8,250	21,580	12,230	8,690	20,920
Transport	8,360	4,500	12,860	8,390	4,520	12,910
Supplies & Services	7,320	3,310	10,630	5,820	2,300	8,120
Support Services	41,190	32,120	73,310	52,840	39,460	92,300
<b>Total Expenditure</b>	<b>200,960</b>	<b>140,300</b>	<b>341,260</b>	<b>209,600</b>	<b>147,220</b>	<b>356,820</b>
<b>Income</b>						
Building Regs Charges	186,490	-	186,490	209,860	-	209,860
Partnership Income	15,810	-	15,810	19,260	-	19,260
Miscellaneous Income	950	50	1,000	870	-	870
<b>Total Income</b>	<b>203,250</b>	<b>50</b>	<b>203,300</b>	<b>229,990</b>	<b>-</b>	<b>229,990</b>
<i>Surplus/(Deficit) for the Year</i>	<i>2,290</i>	<i>(140,250)</i>	<i>(137,960)</i>	<i>20,390</i>	<i>(147,220)</i>	<i>(126,830)</i>
<u>Surplus(Deficit) Balance</u>						
Brought Forward	27,210			29,500		
Carried Forward	29,500			49,890		

The Building Regulations Chargeable account continues to be a “ring-fenced” account with year end surpluses/deficits rolled forward subject to review and comparison of costs and income.

**WYRE FOREST DISTRICT COUNCIL**

**STATEMENT OF ACCOUNTS 2010/11**

**THE COLLECTION FUND ACCOUNT 2010/11**

<b>2009/10</b>			<b>2010/11</b>
<b>£'000</b>	<b><u>Income</u></b>	<b>£'000</b>	<b>£'000</b>
(43,405)	Income from Council Tax		(44,425)
	Transfers from General Fund:		
(7,991)	Council Tax Benefits	(8,472)	
-	Transitional Relief	1	
-	Local Discount – Council Tax	-	
			(8,471)
(24,934)	Non-Domestic Rates	(25,001)	
	Transfers from General Fund:		
-	Hardship Relief – Non-Domestic Rates	-	
			(25,001)
<b>(76,330)</b>	<b>Total Income</b>		<b>(77,897)</b>
	<b><u>Expenditure</u></b>		
	Precepts and Demands		
35,549	Worcestershire County Council	36,396	
6,088	West Mercia Police Authority	6,260	
2,509	Hereford & Worcester Combined Fire Authority	2,580	
7,209	Wyre Forest District Council (including parishes)	7,382	
51,355			52,618
128	Provision for Non-Payment of Council Tax		243
	Non-Domestic Rates		
24,685	Payment to National Pool	24,816	
140	Cost of Collection Allowance	139	
24,825			24,955
109	Provision for Non-Payment of Non-Domestic Rates		46
<b>76,417</b>	<b>Total Expenditure</b>		<b>77,862</b>
87	(Surplus)/Deficit for the Year		(35)
(195)	Balance b'fwd as at 1 <sup>st</sup> April 2010		(108)
87	(Surplus)/Deficit for the Year		(35)
(108)	Surplus Balance C/fwd as at 31 <sup>st</sup> March 2011		(143)

This statement represents the transactions of the Collection Fund, a statutory fund separate from the General Fund of the Council. The Collection Fund accounts independently for income relating to Council Tax and Non-Domestic Rates on behalf of those bodies (including the Council's own General Fund) for whom the income has been raised. The costs of administering collection are accounted for in the General Fund.

## **WYRE FOREST DISTRICT COUNCIL**

### **STATEMENT OF ACCOUNTS 2010/11**

#### **NOTES TO THE COLLECTION FUND ACCOUNT**

##### **Note 1: NATIONAL NON-DOMESTIC RATES (NNDR) (BUSINESS RATES)**

NNDR is organised on a National basis. A five-yearly revaluation is carried out by the Government, the latest coming into effect from 2005/06. The Government specifies an amount (48.5p in 2009/10 and 41.4p in 2010/11) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. From 1<sup>st</sup> April 2005 the Government introduced a second multiplier for small businesses 48.1p in 2009/10 and 40.7p in 2010/11. The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into an NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

The Non-Domestic rateable value of the Council's area at 31st March 2011 was £73,167,810 (31st March 2010 - £63,545,638).

##### **Note 2: COUNCIL TAX**

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands estimating 1st April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council, Worcestershire County Council, West Mercia Police Authority and The Hereford and Worcester Fire and Rescue Authority for the forthcoming year and dividing this by the Council Tax base. This basic amount of Council Tax for a band D property, £1,489.04 for 2010/11 (£1,451.71 for 2009/10) is multiplied by the proportion specified for the particular band to give an individual amount due. Council Tax written off in the year amounted to £126,484.15 (£53,090.34 in 2009/10).

The Council taxbase, which is used in the calculation of the Council Tax, is based upon the number of dwellings in each valuation band on the listing produced by the Listing Officer. This is adjusted for exemptions, discounts, disabled banding changes and appeals. The taxbase estimate for 2010/11 was 34,945 calculated as follows:

Valuation Band	Number of Dwellings Per Valuation List	Adjustment for Disabled Banding Appeals, Discounts & Exemptions	Full Charge Equivalent	Approximate Ratio to Band D Charge	Band D Equivalent
Band A	10,796	(2,155.32)	8,640.68	6/9	5,759.97
Band B	10,946	(1,324.50)	9,621.50	7/9	7,483.39
Band C	10,817	(1,032.75)	9,784.25	8/9	8,697.08
Band D	5,967	(522.00)	5,445.00	1	5,445.00
Band E	3,180	(238.25)	2,941.75	11/9	3,595.48
Band F	1,644	(111.50)	1,532.50	13/9	2,213.60
Band G	1,138	(60.50)	1,077.50	15/9	1,795.85
Band H	118	(8.75)	109.25	2	218.50
Total	44,606	(5,453.57)	39,152.43		35,208.87
Less Allowance for Non Collection District Tax Base					(263.87)
					34,945

**WYRE FOREST DISTRICT COUNCIL**

**STATEMENT OF ACCOUNTS 2010/11**

**NOTES TO THE COLLECTION FUND ACCOUNT (CONTINUED)**

**Note 2: COUNCIL TAX (continued)**

The income of £52,896,000 for 2010/11 is receivable from the following sources:

<b>Council Tax Income</b>	<b>£000s</b>
Billed to council tax payers	44,425
<b>Transferred from general fund:</b>	
Council tax benefits	8,472
Less: Transitional Relief adjusted from previous years	(1)
<b>Total</b>	<b>52,896</b>

**Note 3: CONTRIBUTIONS TO COLLECTION FUND SURPLUSES AND DEFICITS**

The surplus of £143,000 on the Collection Fund at 31st March 2011 will be distributed in subsequent financial years to the Council, Worcestershire County Council, West Mercia Police Authority and Hereford and Worcester Fire and Rescue Authority in proportion to the value of the respective precepts and demands made by the four Authorities on the Collection Fund.

**Note 4: PRECEPTING AUTHORITIES**

The Authorities that made significant precepts and demands on the Collection Fund in 2010/11 are as follows:

<b>Precepting Authorities</b>	<b>£000s</b>
Worcestershire County Council	36,310
West Mercia Police Authority	6,245
Hereford and Worcester Fire and Rescue Authority	2,574
Wyre Forest District Council (including parishes)	7,364

**WYRE FOREST DISTRICT COUNCIL**

**STATEMENT OF ACCOUNTS 2010/11**

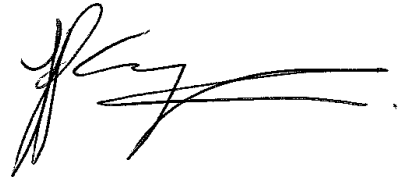
**DIRECTOR OF RESOURCES AND LEADER'S CERTIFICATE**

The Statement of Accounts on pages 2 to 92 is prepared and published in accordance with the Accounts and Audit Regulations 2011.

The accounts have been prepared on a historic cost basis, in accordance with the Code of Practice on Local Authority Accounting and the Best Value Accounting Code of Practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and also with the guidance notes issued by CIPFA on the application of Accounting Standards. They present a true and fair position of the Authority at the accounting date and its income and expenditure for the year ended 31<sup>st</sup> March 2011.



**DAVID BUCKLAND, CPFA, MAAT**  
**DIRECTOR OF RESOURCES**



**COUNCILLOR J P CAMPION**  
**LEADER OF THE COUNCIL**

28<sup>th</sup> June 2011

## **WYRE FOREST DISTRICT COUNCIL**

### **STATEMENT OF ACCOUNTS 2010/2011**

#### **GLOSSARY OF FINANCIAL TERMS**

##### **ACCOUNTING POLICIES**

The policies and concepts used in the preparation of the accounts.

##### **ACCRUALS**

Income and expenditure are shown in the accounts in the period they are earned or incurred, not as money is received or paid. All entries shown are therefore in respect of the 2010/11 financial year.

##### **ACTUARY**

An expert on pension scheme assets and liabilities.

##### **AREA BASED GRANT**

A non-ring fenced general grant, with no conditions imposed on its use, paid directly to the authority that benefits from the grant. This grant is included in the Income and Expenditure Account with other general income sources. Area based Grant replaced Local Area Agreement Grant in 2008/2009.

##### **ASSET**

Something the Council owns – for example a building, some cash or money owed to it.

##### **ASSET REGISTER**

Each Local Authority is required to compile a register of all its capital assets (examples include premises, vehicles, equipment and computer systems). Each asset must be professionally valued, generally at replacement cost, every five years. Capital charges for the use of assets are calculated on the values contained in the Asset Register.

##### **AUDIT OPINION**

The auditor's opinion on whether the Council's accounts show a true and fair view of its financial affairs. If the auditors are satisfied with the accounts, they will issue an unqualified audit opinion.

##### **BALANCE SHEET**

A year-end statement prepared by all public and private sector organisations, which shows the net assets controlled by the organisation and how these have been funded. The Balance Sheet is known as the Statement of Financial Position under IFRS.

##### **BEST VALUE ACCOUNTING CODE OF PRACTICE (BVACOP)**

This code of practice details standard definitions of services and total cost, for consistency of data for Government Returns, and comparisons with other Local Authorities.

##### **BUDGET**

A statement detailing the Council's financial policy over a specified period of time.

##### **CAPITAL ADJUSTMENT ACCOUNT**

Capital Adjustment Account – this reflects the timing difference between the cost of fixed assets consumed and the capital financing set aside to pay for them

##### **CAPITAL EXPENDITURE**

Expenditure on acquisition, construction or improvement of assets (property, plant and equipment) which have a value to the authority for more than one year e.g. land and buildings.

## **WYRE FOREST DISTRICT COUNCIL**

### **STATEMENT OF ACCOUNTS 2010/11**

#### **GLOSSARY OF FINANCIAL TERMS (continued)**

##### **CAPITAL GUIDELINES**

The sum set by the Government as their view of appropriate capital spending levels on services.

##### **CAPITAL PROGRAMME**

The Authority's plan of capital expenditure on capital schemes/projects for current and future financial years, including details on the funding of the programme.

##### **CAPITAL RECEIPTS**

Income from the sale of capital assets, such as land or buildings, which may also be available to finance other items of capital (but not revenue) expenditure.

##### **CENTRAL SUPPORT SERVICES**

The provision of services by the central divisions of the Council in respect of finance, personnel, legal, policy, administration, information technology and property.

##### **CODE OF PRACTICE ON LOCAL GOVERNMENT ACCOUNTING (THE CODE)**

The replacement for the Statement of Recommended Practice (SORP), following the implementation of International Financial Reporting Standards (IFRS). The Code is the framework for publishing local authority statutory accounts based on accounting standards and interpretations issued by the IASB and IFRIC, modified to reflect specific statutory requirements.

##### **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

A statement of the Council's net revenue costs in the year and how this cost was financed by Government grant and taxpayers.

##### **CONTINGENT LIABILITY**

A possible or present obligation which is difficult to quantify, or which may not come to pass (A Liability which can not be reasonably estimated and may, or may not be incurred depending on the outcome of a future event).

##### **CORPORATE AND DEMOCRATIC CORE (CDC)**

The Corporate and Democratic Core consists of two elements, Democratic Representation and Management (DRM) and Corporate Management.

DRM includes all aspects of members' activities including corporate programme and service policy making, together with officer time in support of these functions. Examples of costs charged to DRM includes all members allowances and expenses.

Corporate Management concerns those activities and costs which allow services to be provided, whether by the authority or not, and the information which is required for public accountability. Costs properly charged to this heading include time spent in allocating corporate resources and producing the annual accounts, treasury management activities and external audit fees for the statutory audit.

##### **COUNCIL TAX**

A tax collected by the District Council which is payable at the same rate by each household in the same valuation band in the same area. There are eight Council Tax bands and how much each household pays depends upon the value of the homes. Council tax income is distributed to Precepting Authorities.



## **WYRE FOREST DISTRICT COUNCIL**

### **STATEMENT OF ACCOUNTS 2010/11**

#### **GLOSSARY OF FINANCIAL TERMS (continued)**

##### **COUNCIL TAX DISCOUNTS AND EXEMPTIONS**

Discounts are available to people who live alone and owners of homes that are not anyone's main home. Council Tax is not charged for certain properties, known as exempt properties, like those lived in only by students.

##### **COUNCIL TAXBASE**

The Council Tax base of an area is equal to the number of band D equivalent properties. To calculate this, the Government counts the number of properties in each band and works out an equivalent number of band D properties. For example, one band H property is equivalent to two band D properties; because it attracts twice as much tax.

##### **COUNCIL TAX BENEFIT**

Amounts deducted from the bills of council tax payers whose incomes fall below prescribed amounts which take into account the financial circumstances of the taxpayer. The majority of the cost of this scheme is met by Central Government which reimburses authorities for the reduction made in bills by means of a direct grant known as council tax benefit subsidy.

##### **COUNTERPARTY REPORT**

List of approved Financial Institutions the Council can invest surplus funds with. This is based on Credit Ratings criteria approved by Council within the Treasury Management Policy.

##### **CREDITORS**

Amounts owed by the District Council for work done, goods or services received but for which payment has not been made by the end of the accounting period.

##### **CURRENT ASSET OR LIABILITY**

An asset or liability the Council expects to hold for less than one year.

##### **DEBTORS**

Amounts due to the District Council but unpaid by the end of the accounting period.

##### **DEPRECIATION**

The measure of the cost or revalued amount of the benefits of an asset that have been consumed/used during the financial year. Consumption includes wear and tear, age and obsolescence.

##### **DIRECT REVENUE FINANCING**

Revenue resources used to finance Capital Expenditure.

##### **EARMARKED RESERVES**

Amounts set aside for purposes falling outside the definition of provisions.

##### **FEES AND CHARGES**

In addition to income from the Government, Local Authorities charge for numerous services including car parking.

##### **FINANCE LEASE**

An arrangement whereby the party leasing the asset has most or all of the use of an asset, and the lease payments are akin to repayments on a loan.

## **WYRE FOREST DISTRICT COUNCIL**

### **STATEMENT OF ACCOUNTS 2010/11**

#### **GLOSSARY OF FINANCIAL TERMS (continued)**

##### **FINANCIAL INSTRUMENT**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Examples include borrowings, loans receivable and investments.

##### **FINANCIAL INSTRUMENTS ADJUSTMENTS ACCOUNT**

A new account that records the timing differences between charging the amount of the impairment calculated in relation to Icelandic investments to the General Fund in accordance with the new Capital Regulation.

##### **FINANCIAL REGULATIONS**

The rules that the Council's financial affairs are operated within.

##### **INVENTORY**

Previously referred to as Stock – items purchased and paid for but not yet used.

##### **FINANCIAL STATEMENTS**

Another term for the Statement of Accounts.

##### **FIXED ASSET**

A tangible asset which is intended to be used for several years, such as a vehicle or building.

##### **GOVERNMENT GRANTS**

Payments by Central Government towards the cost of Local Authority services. These are either for particular purposes or services (specific grants) or in aid of local services generally (revenue support grant).

##### **GROSS AND NET TOTAL COST**

The gross total cost of a service includes all expenditure relating to the service/activity including employee costs, transport, support services and capital charges. Net total cost is the gross total cost of a service less income other than specific grants.

##### **HEREDITAMENT**

A property appearing in a valuation list upon which business rates are levied. Applies to non-domestic property.

##### **HOUSING ADVANCES**

Loans by an Authority to individuals towards the cost of acquiring or improving their homes.

##### **HOUSING ASSOCIATION**

A non-profit making body concerned with the construction, improvement or management of houses.

## **WYRE FOREST DISTRICT COUNCIL**

### **STATEMENT OF ACCOUNTS 2010/11**

#### **GLOSSARY OF FINANCIAL TERMS (continued)**

##### **HOUSING BENEFIT**

This scheme provides financial assistance towards the domestic rent payments of tenants in registered social landlord or privately owned accommodation, whose incomes fall below prescribed amounts. Income Support claimants may claim Housing Benefit at the same time as they claim Income Support from Central Government. Income Support claimants may also claim direct to the District Council for Housing Benefit. All other claimants must make their claim to the District Council.

In the case of private tenants, a payment (rent allowance) is made to the tenant or to the landlord if requested by the claimant.

The District Council is reimbursed by the Government for 100% of the cost of benefits to private sector tenants. The Government also contributes towards the costs of administering the scheme. Some Authorities may choose to operate a 'local scheme' whereby allowances in excess of the standard payments are granted. This extra cost is borne by the District Council.

##### **HOUSING INVESTMENT PROGRAMMES (HIPS)**

These are submitted annually to the Office of the Deputy Prime Minister by the District Council which details its capital plans. Approved expenditure is allocated in one block to cover all the following items of capital expenditure:

Private sector improvement grants

Support to Registered Social Landlords for both new house building and renovation schemes.

##### **IMPAIRMENT**

A reduction in the value of a fixed asset below its carrying amount on the balance sheet arising from physical damage such as a major fire or a significant reduction in market value.

##### **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

The new accounting standard that this Council has adopted from 2010/2011.

##### **LIABILITY**

Something the Council owes – for example an overdraft, a loan, or a bill it has not yet paid.

##### **LIQUID RESOURCES**

These are assets that are readily converted into cash without significant loss, e.g. short term investments.

##### **MOVEMENT IN RESERVES STATEMENT (MIRS)**

A statement which analyses movements in the Council's usable and unusable reserves during the year.

##### **NATIONAL NON-DOMESTIC RATES (BUSINESS RATES) (NNDR)**

A tax collected locally by District Councils and paid to Central Government. It is then redistributed to County, Unitary, Borough and District Councils on the basis of the resident population.

##### **NON DISTRIBUTABLE COSTS (NDC)**

These are costs which cannot reasonably be charged to the cost of individual services and include, for example, contributions to meet pension fund deficits.

##### **NON OPERATIONAL ASSETS**

Council assets not directly used in the provision of services, such as investment properties.

## **WYRE FOREST DISTRICT COUNCIL**

### **STATEMENT OF ACCOUNTS 2010/11**

#### **GLOSSARY OF FINANCIAL TERMS (continued)**

##### **OPERATIONAL ASSETS**

Council owned fixed assets used to deliver services, such as buildings and equipment.

##### **OPERATING LEASES**

This is where the rewards and risks of ownership of the asset remain with the leasing company and the annual rental is charged directly to the revenue account.

##### **OUT-TURN**

Actual income and expenditure.

##### **PRECEPT**

This is the amount of council tax income County Councils, Police Authorities, District Councils, Parish Councils and some Fire Authorities need to provide their services. The amounts for all Local Authorities providing services in an area appear on one council tax bill which is issued by the District Council.

##### **PROVISIONS**

These are monies set aside to meet any liabilities or losses which are likely or will be incurred, but the amounts or the dates on which they will arise are uncertain e.g. provision for bad debts.

##### **PRUDENTIAL CODE FOR CAPITAL FINANCE IN LOCAL AUTHORITIES**

CIPFA developed a professional code of practice to support local authorities in taking capital investment decisions. The key objectives of the code are to ensure, within a clear framework, that local authorities' capital investment decisions are affordable, prudent and sustainable; that treasury management decisions are taken in accordance with good professional practice; and that local strategic planning, asset management planning and proper option appraisal are supported. The code was implemented with effect from 1<sup>st</sup> April 2004.

##### **RATEABLE VALUE**

A value placed on all non-domestic properties subject to business rates to which a uniform rate poundage is applied to arrive at rates payable. The value is based on a notional rent that property could be expected to yield after deducting the cost of repairs.

##### **REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

Capital expenditure for which no tangible fixed asset exists is now classified as Revenue Expenditure Funded from Capital Under Statute (previously termed Deferred Charges) and is charged to the Income and Expenditure Account.

##### **RESERVES**

These are monies set aside to meet the cost of specific future expenditure.

##### **REVALUATION RESERVE**

Revaluation Reserve – this records the unrealised net gains from revaluations made after 1<sup>st</sup> April 2007

##### **REVENUE BALANCES**

The accumulated surplus or deficit of income over expenditure.

##### **REVENUE EXPENDITURE**

This is expenditure incurred on the day to day provision of services and consists principally of pay costs, capital charges and general running expenses in respect of the financial year.

## **WYRE FOREST DISTRICT COUNCIL**

### **STATEMENT OF ACCOUNTS 2010/11**

#### **GLOSSARY OF FINANCIAL TERMS (continued)**

##### **REVENUE SUPPORT GRANT**

Grant paid by the Government to local authorities as a contribution towards the costs of their services. The grant is distributed so that if each Authority were to spend at the level of its Standard Spending Assessment (SSA) all charging Authorities could set the same council tax known as the Council Tax for Standard Spending.

##### **SPECIFIC GRANTS**

Government grants to Local Authorities in aid of particular projects or services e.g. Disabled Facilities Grants.

##### **STANDING ORDERS**

Rules and procedures determined by the Council to assist in the efficient performance of its activities.

##### **TRUE AND FAIR**

It is the aim of the accounts to show a true and fair view of the Council's financial position. In other words they should faithfully represent what has happened in practice.

##### **UK GENERALLY ACCEPTED ACCOUNTING PRACTICE (UK GAAP)**

The Standard basis of accounting in the UK for previous year's accounts; from 2010/2011 the international standards have been adopted and the accounts restated.

##### **UNREALISED GAINS AND LOSSES**

Gains and losses may be realised or unrealised. Unrealised gains and losses are gains and losses that the Council has recognised in its accounts but which are potential as they have not been realised. An example of a gain that is recognised but not realised is where the value of assets has increased. The gain is realised when the asset is sold.

##### **VIREMENT**

The authorised transfer of an underspend in one budget head to another head.

**WYRE FOREST DISTRICT COUNCIL**  
**STATEMENT OF ACCOUNTS 2010/11**  
**List of commonly Used Acronyms**

<b>Acronym</b>	<b>Description/Definition</b>
<b>ABG</b>	Area Based Grant – a general grant from central government allocated directly to Local Authorities as additional revenue funding to areas. It is allocated according to specific policy criteria rather than general formulae.
<b>AGS</b>	Annual Governance Statement – this provides an overview of the Governance arrangements within the Council, along with any potential weaknesses.
<b>BVACOP</b>	Best Value Accounting Code of Practice – this Code issued by CIPFA identifies standard definitions of services and total cost for consistency of data for Government returns, and comparisons with other local authorities.
<b>CAA</b>	Comprehensive Area Assessment – now formally abolished by government but was the performance framework for Local Government.
<b>CDC</b>	Corporate and Democratic Core – central account which identifies the corporate costs of the authority, including Members and the democratic process.
<b>CFR</b>	Capital Financing Requirement – measures the authority's underlying need to borrow, or finance by other long-term liabilities, its capital expenditure.
<b>CI&amp;E</b>	Comprehensive Income and Expenditure Statement – This new statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practice rather than the amount to be funded from taxation. It replaces the former Income and Expenditure Account and Statement of Total Recognised Gains and Losses.
<b>CIPFA</b>	Chartered Institute of Public Finance and Accountancy – the institute that sets the accounting rules and guidance for Local Government.
<b>DCLG</b>	Department for Communities and Local Government – central government department which has the responsibility for Local Government.
<b>DRC</b>	Depreciated Replacement cost – valuation method used within the Statement of Accounts relating to the Replacement Cost less any accrued depreciation.
<b>DWP</b>	Department for Works and Pensions – largest central government department which amongst its responsibilities are Benefits payments.
<b>HMRC</b>	Her Majesty's Revenue and Customs – central government organisation responsible for the administration and collection of national taxes including VAT.
<b>FIAA</b>	Financial Instruments Adjustment Account – this is a balance sheet account which is the balancing account to hold the differences between statutory requirements and proper accounting practices for borrowings and investments.
<b>FARA</b>	Fixed Asset Restatement Account – this was the balance sheet account which contained the surplus arising from the revaluation of fixed assets, now called the Revaluation Reserve.
<b>FTE</b>	Full-time equivalent – relates to employee numbers.
<b>HRA</b>	Housing Revenue Account – is a separate landlord account that any council with more than 50 council dwellings must keep.
<b>IAS</b>	International Accounting Standard – these provide detailed guidance on the application of IFRS.
<b>IASB</b>	International Accounting Standards Board – governing body of expertise on accounting standards.
<b>IFRIC</b>	International Financial Reporting Interpretations Committee
<b>IFRS</b>	International Financial Reporting Standards – new international framework to ensure common approach to the production of Statement of Accounts across the world.
<b>LAA</b>	Local Area Agreement – set out the properties for a local area agreed between central government and a local area (the local authority and Local Strategic partnership) and other key partners at the local level.
<b>LAAP</b>	Local Authority Accounting Panel – issues LAAP Bulletins to local authority practitioners. These Bulletins provide guidance on topical issues and accounting developments and when appropriate provide clarification on the detailed accounting requirements.

**WYRE FOREST DISTRICT COUNCIL**  
**STATEMENT OF ACCOUNTS 2010/11**  
**List of commonly Used Acronyms**

<b>LASAAC</b>	Local Authority (Scotland) Accounts Advisory Committee – operates in the same way as CIPFA within England, and often works in partnership with CIPFA on accounting guidance through a Joint Committee.
<b>LGA</b>	Local Government Association – the body that represents Local Government nationally, this body has a key lobbying role with central government.
<b>MIRS</b>	Movement in Resources Statement – this statement replaces the former Statement of Movement on the General Fund Balance and the note on the movement in reserves. It represents the changes in the Council's financial resources.
<b>MRP</b>	Minimum Revenue Provision –this represents the minimum which authorities must repay on their debts each year.
<b>NDR or NNDR</b>	National Non Domestic Rates – sometimes called business rates – these are collected by Local Authorities and are the way that those who occupy non-domestic property contribute towards the cost of local services.
<b>NAO</b>	National Audit Office – The National Audit Office (NAO) scrutinises public spending on behalf of Parliament. The NAO does not yet audit local government spending; this is the responsibility of the Audit Commission.
<b>OMV</b>	Open Market Value – valuation method within the accounts which relates directly to the current valuation of the asset.
<b>PBE</b>	Post Balance Sheet Event – an event taking place after the Balance Sheet event that may either be noted or adjusted in the accounts depending on its relevance.
<b>PFI</b>	Private Finance Initiative – is a way of creating “public-private partnerships” (PPPs) by funding public infrastructure projects with private capital
<b>POP</b>	Purchase Order Processing – the new method by which goods and services are electronically ordered at the Council.
<b>PPE</b>	Property Plant and Equipment – new IFRS terminology for fixed assets.
<b>PPP</b>	Public-private Partnership – describes a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies.
<b>PWLB</b>	Public works Loan Board – this is a central government body which makes loans to local government and other prescribed public bodies from the National Loans Fund.
<b>RICS</b>	Royal Institute of Chartered Surveyors – is an independent, representative professional body which regulates property professionals and surveyors in the United Kingdom and other sovereign nations.
<b>S151</b>	Section 151 – this refers to Section 151 of the Local Government Act 1972 where it states that every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs.
<b>SOLACE</b>	Society of Local Authority Chief Executives – organisation that represents Chief Executives within Local Government.
<b>SSAP</b>	Statement of Standard Accounting Practice – accounting standards issued by the Accounting Standards Committee. SSAPs have now generally been replaced by Financial Reporting Standards.
<b>STC4</b>	Stourport Town Centre 4 – Bridge Street area of Stourport which is in the process of being enhanced.
<b>TUPE</b>	Transfer of Undertakings (Protection of Employment) Regulations – protects employees' terms and conditions of employment when a business is transferred from one owner to another.
<b>UITF</b>	Urgent Issues Task Force -a committee of the UK Accounting Standards Board that considers major urgent and emerging accounting issues. Its publications are known as UITF Abstracts.

**WYRE FOREST DISTRICT COUNCIL**  
**STATEMENT OF ACCOUNTS 2010/11**  
**List of commonly Used Acronyms**

<b>UKGAAP</b>	Generally Accepted Accounting Practice in the UK or UK GAAP – are the overall body of regulation establishing how company accounts must be prepared in the United Kingdom. This includes not only accounting standards but also UK company law. IFRS supersedes IFRS for local government accounts from 2010/2011.
<b>UoR</b>	Use of Resources – now formally abolished, however, for the last six years this has been used by auditors to assess how well local authorities are managing their finances and other resources.
<b>VFM</b>	Value for Money – this represents a formal review by the auditors on whether the Council is delivering Value for Money to its residents. This opinion forms part of the overall audit certificate.
<b>WETT</b>	Worcester Enhanced Two Tier – a programme whereby all Worcestershire local authorities are working together to investigate shared services and joint working to become more efficient and effective.